



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**City of Hickory  
North Carolina**

For the Fiscal Year Beginning

**July 01, 2022**

*Christopher P. Morrell*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget presentation to the City of Hickory for its annual budget for the fiscal year beginning July 1, 2022.

In order to receive this award a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

## Hickory City Council



**Mayor – Hank Guess**



**Ward 1 – Tony Wood**



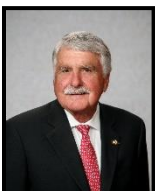
**Ward 2 – Charlotte Williams (*Mayor Pro Tempore*)**



**Ward 3 – Danny Seaver**



**Ward 4 – Anthony Freeman**



**Ward 5 – David Zagaroli**



**Ward 6 – Jill Patton**

## City of Hickory Recommended Budget



**Fiscal Year**  
**July 1, 2023 – June 30, 2024**

# Introduction

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## City Administration

City Manager	Warren Wood
Deputy City Manager/CFO	Rodney Miller
Assistant City Manager	Rick Beasley
Executive Assistant Manager	Yaidee Fox
Airport Manager	Terry Clark
Communications and Marketing Manager	Dana Kaminske
Deputy City Attorney	Arnita Dula
Finance Officer	Melissa Miller
Fire Chief	Matt Hutchinson
Human Resources Director	Mitch Friar
Information Technology Manager	Eric Rucker
Library Director	Sarah Greene
Parks, Recreation, & Sports Tourism Director	Mark Seaman
Planning Director	Brian Frazier
Police Chief	Reed Baer
Public Utilities Director	Shawn Pennell
Public Works Director	Steve Miller

# Introduction

From the Council and staff of the City of Hickory, welcome! The pages in this document represent our plans to utilize the City's resources to continue a quality of life that is safe, clean, prosperous, and enjoyable. Hickory is our home, and we take pride in having the opportunity to improve the City through our professional lives every day. We are pleased that by reading through this document you share our desire to enhance one of the most vibrant cities in the nation. We hope that readers at all levels of budget experience will find this document to be an informative presentation of the challenges and opportunities that face the City of Hickory.



***Mayor, City Council, City Manager, and City Attorney***

Municipal budgets can be complex and confusing. Discussions often present the same information from more than one perspective. Technical terms like "Unrestricted Intergovernmental Revenue," for example, can also be confusing, so this document attempts to define and clarify terms wherever necessary. Should it fail to do so, please contact the City Manager's Office at (828)323-7412. Please note, however, that the City of Hickory's budget document emphasizes functional areas of City responsibilities (e.g., Public Safety, Transportation), and does not isolate organizational units or account groupings independently. While the document may present and discuss several pictures of the same budget, centering the discussion on these major themes (functions) facilitates budget discussion at a much broader level.

The layout of the document is intended to take the reader from the broadest budget presentations (trends, consolidated totals, etc.) to the more specific budget presentations (individual department budgets, specific projects, etc.). Realizing that information needs are different for every reader, the document is divided into sections to provide easy "flip-to" access.

# Introduction

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To present a complete picture of the City's finances and spending plans for FY 2023-2024, this detailed Budget Document is organized into the following sections:

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**City Manager's Message:** The City Manager discusses the major issues that affect City operations. In essence, the City Manager defines the costs of the issues facing the City (expenditures) and proposes the resources (revenues) to apply to each issue.

**Budget Overview:** Fund and functional area highlights are outlined as well as personnel, operational and capital summary totals.

**Budget Ordinance:** The actual legally binding ordinance that establishes the new annual budget.

**City Council Goals and Objectives:** Council's priorities for the next fiscal year are established. Fiscal management policies are also presented, including modifications for the new year.

**Budget Guide:** How does the City develop its budget document, and what do all the pages of numbers and tables mean? This section dissects the structure of the budget and explains the relationships between its many facets. We recommend that the novice reader start here to gain an understanding of the budget.

**Consolidated Budget Summary:** The document begins to evaluate the numbers that have been articulated in the *City Manager's Message* and officially proposed in the *Budget Ordinance*. A context for the budget begins to develop as it is related to budgets of previous years. Consolidated summaries, as well as the detail underlying budget decisions, focus on the premises used to develop the budget. This section presents trends and assumptions for revenues and expenditures, as well as discussions of fund balance projections and personnel projections.

**About City Services:** This section describes all the City departments, outlining their basic responsibilities and programs of work. Also included is a telephone listing for common City services and/or questions.

**Other Funds:** This section describes the Community Development Block Grant (CDBG) entitlement funding awarded to the City of Hickory by the Federal Department of Housing and Urban Development.

**Capital Improvements/Grant Projects:** This section outlines the 5-Year Capital Improvement Plan (CIP), which is a multi-year financial plan for the purchase or construction of capital assets.

**Debt Service:** The City's debt position is outlined with projections for future debt needs.

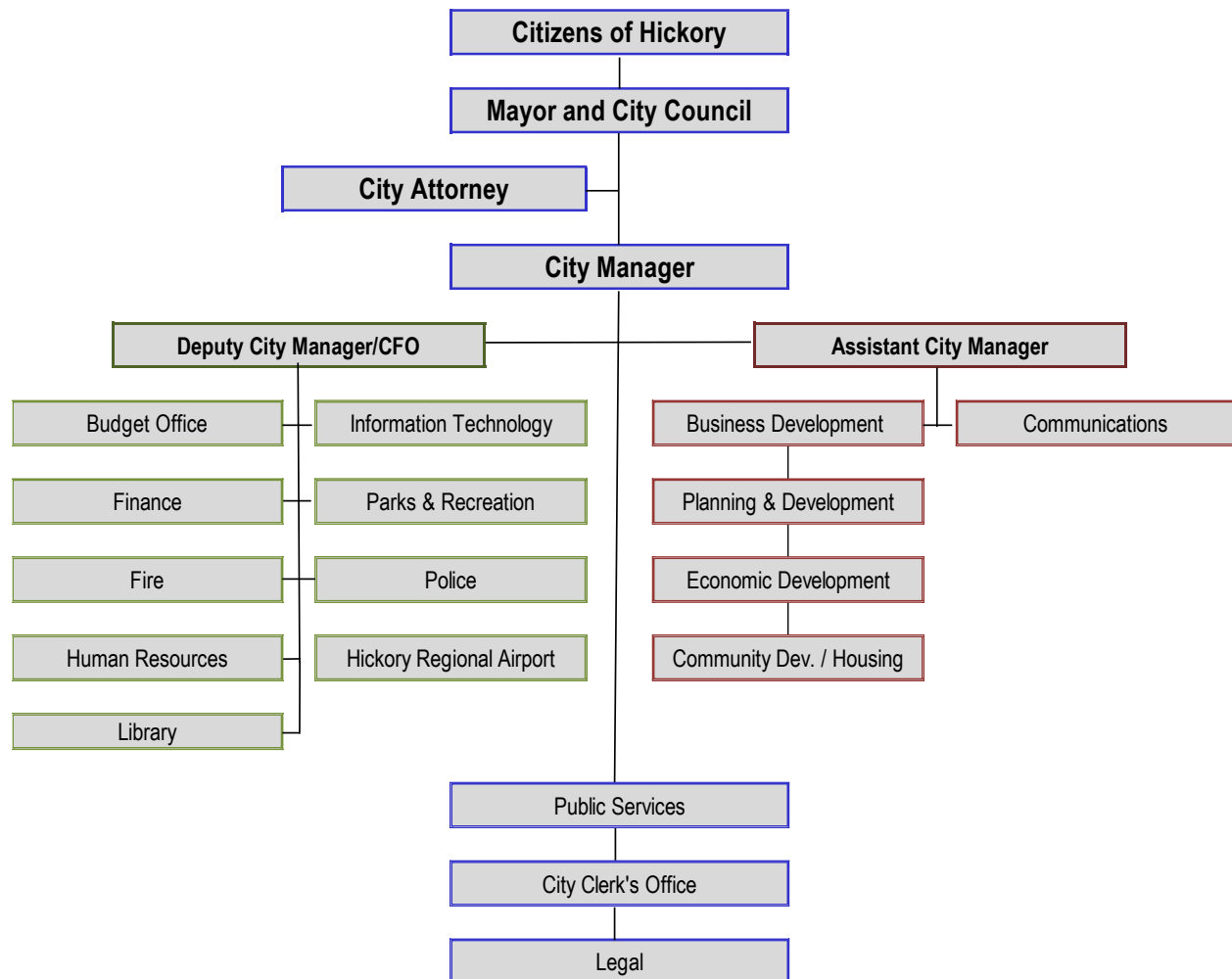
**Five Year Financial Forecast:** What are the assumptions that will guide the decision-making process in the coming years? Forecasts for expenditures and revenues establish the parameters for budgets for the next five years.

**Performance Measurement:** A feature section that highlights the results of the performance and cost data for those City departments participating in the North Carolina Performance Measurement Project.

**Supplementary Information:** Find background information about the City of Hickory in this section. Included are demographic, geographic, historical, and statistical information, as well as the City's pay plan.

**Budget Glossary:** Definitions of terms used in the document. Most acronyms and technical terms are defined when they first appear in the document, but some are defined in this section to provide needed explanations.

## City of Hickory Department Organizational Chart





City of Hickory  
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Hickory, NC 28603  
Phone: (828) 323-7412  
Fax: (828) 323-7550  
Email: [wwood@hickorync.gov](mailto:wwood@hickorync.gov)

May 16, 2023

Members of the Hickory City Council  
Hickory, North Carolina

Dear Members of the Hickory City Council:

## INTRODUCTION

### Overview

Pursuant to Section 159-11 of the North Carolina General Statutes, I am pleased to present the City of Hickory's Recommended Annual Budget for FY2023-2024 for your review and consideration. The FY2023-2024 Recommended Annual Budget totals \$136,914,727 an 8.5% increase over the FY2022-2023 Annual Budget and is balanced with projected revenues equaling projected expenditures. This budget has been prepared in accordance with state and national budgeting standards.

The annual budget is the most important policy document City Council adopts each year. There are many changes each year with every new annual budget, but there is also continuity from one budget year to the next on initiatives that have been determined to work and services required to keep our community safe and clean.

<u>Fund</u>	<u>FY22-23</u>	<u>FY23-24</u>	<u>%CHG</u>
General	\$63,141,435	\$68,564,275	8.6%
Water and Sewer	\$36,045,880	\$38,041,282	5.5%
Insurance	\$7,377,413	\$7,565,180	2.5%
Fleet Maintenance Fund	\$3,020,962	\$3,569,998	18.2%
Sludge Compost	\$2,141,323	\$2,001,284	-6.5%
Stormwater	\$273,556	\$278,454	1.8%
Airport	\$1,917,220	\$2,220,352	15.8%
Solid Waste	\$6,593,093	\$7,842,268	18.9%
Capital Reserve	\$3,964,000	\$4,540,000	14.5%
W&S Capital Reserve	<u>\$1,731,286</u>	<u>\$2,291,634</u>	<u>32.4%</u>
<b>Total</b>	<b>\$126,206,168</b>	<b>\$136,914,727</b>	<b>8.5%</b>

Approximately 85% of the City's financial activity in the annual budget occurs in three funds: General, Water and Sewer, and Solid Waste. Below is a summary of each major fund related to the FY2023-2024 Recommended Annual Budget:

## General Fund

The General Fund budget is recommended at \$68,564,275, an 8.6% increase over the FY2022-2023 Budget. The property tax rate for FY2023-24 is recommended to be reduced from 62.75 cents to the **revenue neutral property tax rate of 45.5 cents**.

With Catawba County finishing its county-wide revaluation of real property, which it does once every four years, the City of Hickory saw all real property values within its City limits increase, on average, by 66% (County-wide avg. = 67%). Hickory residential properties increased by an average of 58% (County-wide avg. = 65%), and Hickory commercial/industrial properties increased by an average of 76% (County-wide avg. = 71%). These new values became effective on January 1<sup>st</sup> of this year.

One of the challenges this year is not knowing the property value our tax base will lose through the property value appeals process. We do know that the Catawba County Board of Equalization and Review has already reduced appealed values by around \$110 million and is finishing their review process. There is approximately \$210 million in property value remaining that is being appealed in Hickory. Much of what is being appealed will ultimately end up being heard by the North Carolina Property Tax Commission. We will not know the final outcome of additional reductions until after the City's budget is adopted. The amount of property tax revenue we could lose through the appeals process is significant.

Although real property is the single largest element in the City's property tax base, there are multiple other elements that make up a significant part of the total property tax base that were not part of the revaluation process. Additionally, Hickory has City limits in Catawba, Burke, and Caldwell counties. Caldwell County had revaluation in 2021, so property tax revenue from those properties in the Hickory City limits in Caldwell County will drop in FY2023-2024 as compared to FY2022-2023.

## Water and Sewer Fund

The Water and Sewer Fund budget is recommended at \$38,041,282, a 5.5% increase over the FY2022-2023 Budget. There is a recommended 10% increase in the water and sewer volume charges. This will have the effect of about a \$2.35 per month increase on the average residential water and sewer bill.

The City's Water and Sewer Fund operates a regional system serving about 120,000 customers in 12 different jurisdictions in our region. The City owns and operates 1 regional water plant and 3 wastewater treatment plants. Additionally, we own and maintain 1,000 miles of waterlines and 600 miles of sewer lines.

The Water and Sewer Fund has a number of significant projects under design or construction to both expand and improve our water and sewer system. These include:

New Biosolid Facility	\$37 million
Water and Sewer Extension for Microsoft Project	\$15 million
Falling Creek Pump Station Flooding Resiliency	\$7 million
Snow Creek Pump Station Flooding Resiliency	\$6 million
Murray Basin Sewer Line	\$6 million
Trivium Water and Sewer Lines	\$1 million
Airport Sewer Line	\$2 million
Plant Improvements	\$1 million
Water and Sewer Line Rehab	\$1 million
Radio Read Meter Project	<u>\$5 million</u>
<b>Total</b>	<b>\$81 million</b>



## **Solid Waste Fund**

The Solid Waste Fund contains the financial activity of all solid waste activities of the City. The recommended budget for this Fund is \$7,842,268, a 18.9% increase over the FY2022-2023 Budget. Much of this increase is being driven by a 152% increase in capital expenses due to a number of sanitation trucks needing to be replaced.

The City provides an extremely robust solid waste service with household stops made at every home, every week in Hickory for *residential waste, yard waste, white goods, junk items*, with an additional stop made every other week for *recycling*. Seasonal leaf collection also occurs in the fall on every residential street multiple times which allows residents to avoid the trouble of bagging leaves. With few exceptions, if a resident gets an item to the curb, the City will dispose of it.

The current Solid Waste Fee for our residential customers is at \$26 per month. I am recommending an increase of \$1 per month to help in offsetting increases in fuel and labor costs. The Solid Waste Fund is operationally self-supporting, meaning revenues cover personnel and operating expenditures only, so this fund will depend upon a \$800,000 transfer from the General Fund in order to buy replacement sanitation trucks. Last year, we appropriated \$317,593 in Solid Waste fund balance to purchase replacement sanitation trucks. The Solid Waste Fund cannot afford a significant appropriation of their fund balance in FY2023-2024.

## **OTHER ANNUAL BUDGET FUNDS**

The following funds make up the remainder of the annual budget:

### **Insurance Fund**

The Insurance Fund contains all insurance (health, dental, property/casualty, liability and worker's compensation) activities of the City. This is an Internal Service Fund, meaning this fund accounts for activities that serve other funds within the City's budget structure. The North Carolina General Statutes do not require that Internal Service Funds be included in the Annual Budget; however, they are included in this budget to more fully disclose all of the City's financial operations.

The FY2023-2024 Budget for the Insurance Fund totals \$7,565,180.

### **Fleet Maintenance Fund**

The Fleet Maintenance Fund contains all vehicle and equipment maintenance activities of the City. This is an Internal Service Fund, meaning this fund accounts for activities that serve other funds within the City's budget structure. The North Carolina General Statutes do not require that Internal Service Funds be included in the Annual Budget; however, they are included in this budget to more fully disclose all of the City's financial operations.

The FY2023-2024 Budget for the Fleet Maintenance Fund totals \$3,569,998.

### **Sludge Composting Fund**

The Sludge Composting Fund contains all sludge (wastewater by-product) management activities of Hickory (85% ownership) and Conover (15% ownership). This fund has received its revenues from those jurisdictions as well as the paying customers of the facility. A new \$37 million Biosolids facility is being built to replace the current facility.

The FY2023-2024 Budget for the Sludge Composting Fund totals \$2,001,284.

### **Stormwater Fund**

The Stormwater Fund contains all the activities related to complying with Federal and State Stormwater Regulations. It is jointly funded by both the General Fund and the Water and Sewer Fund, each of which contributes half the Fund's cost to operate.

The FY2023-2024 Stormwater Fund Budget totals \$278,454.

### **Airport Fund**

The Airport Fund contains all activities of the Hickory Regional Airport, including administrative operations, maintenance, capital improvements, Control Tower, and Fixed Based Operations responsibilities. This fund is largely self-supporting through fees and sales; however, during FY2021-2022, the City began contributing property tax revenue in the amount generated by property tax revenue from aircraft.

The FY2023-2024 Budget for the Airport Fund totals \$2,220,352.

### **Capital Reserve Fund**

The Capital Reserve Fund exists as a financial tool to help in the funding of future capital projects. It is the City's practice to budget up to two (\$0.02) cents of the property tax rate towards the Capital Reserve Fund to ensure the availability of funds necessary for capital projects such as buildings, equipment, vehicles and infrastructure.

The FY2023-2024 Budget for the Capital Reserve Fund totals \$4,540,000.

### **W&S Capital Reserve Fund**

The City also sets aside a portion of its Water and Sewer Fund revenue for future water and sewer related capital purchases and projects. Without adequate funding provided to the Capital Reserve Fund, the City would have to rely more heavily on its Fund Balance or debt financing for major capital purchases.

The FY2023-2024 Budget for the W&S Capital Reserve Fund totals \$2,291,634.

## **BUDGET DEVELOPMENT BACKGROUND**

To provide context to the way we have approached developing the FY2023-2024 Recommended Budget, it is important to look at Hickory's economic condition and economic trajectory as well as that of the four county Hickory Metro area.

During the economic struggles our region was experiencing between 2001 and 2013, in 2012 the City embarked on the Inspiring Spaces Initiative in order to create a roadmap to improve the quality of life in Hickory. The belief was with certain strategic public investments, private sector investments would occur as well, and this would result in our area being able to attract and retain a quality workforce.

Building off the work of the Inspiring Places Plan, in 2014 a specific list of \$40 million in public improvements in transportation and economic development was put before the voters in the form of a General Obligation Bond Referendum to provide the funding needed to make the quality of life investments Hickory was in need of. The Bond Referendum was overwhelmingly approved by Hickory's voters.

Since that time the City has leveraged the \$40 million in bond funds to produce an additional \$60 million in grant funding. As a result, our Bond Program and the associated projects are double what was initially approved by the voters.

Hickory's Bond Program continues to produce positive results for our community. The impact directly attributable to the Bond Program includes \$846 million in private investment, 2,066 new well paying jobs, and 2,797 new residential units either in the sitework or construction phase.

And there is more to come. There are more than a dozen private sector projects that are in the development phase and have not yet come on line. A few examples of these include 111 Main (multi-family), Every Age (multi-family), MDI Expansion, Hampton Heights (single-family), Short Road (single-family), Metronet (high speed internet), and Cataler (manufacturing).

Even though the economy is in a good place in Hickory right now, we always approach developing our annual budget in a conservative manner, particularly when it comes to revenue projections.

As the regional economic hub of the Hickory Metro area, it is important that our whole region is on a positive economic trajectory. The most recent data, listed below, indicates the region is also doing well economically:

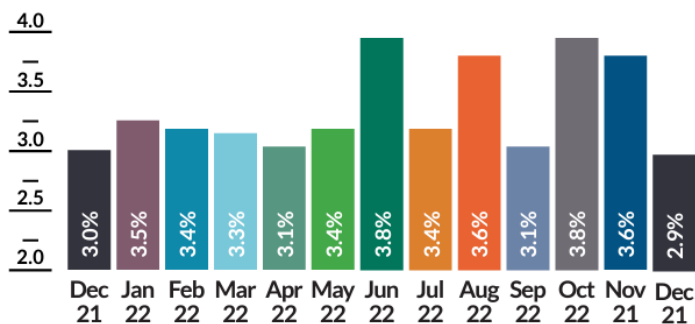
Between December 2021 and December 2022, the estimated number of employed persons in the Hickory MSA increased from 164,303 to 166,820 (2,517), while the civilian labor force grew from 169,313 to 171,808 (2,495). Our unemployment rate is 2.9%. The 4th lowest of all MSAs in North Carolina.

## Civilian Labor Force

The Hickory MSA's unemployment rate equaled 3.0% in December 2021. The Hickory MSA's unemployment rate was 2.9% as of December 2022 (Figure 1). Between December 2021 and December 2022, the estimated number of employed persons increased from 164,303 to 166,820 (2,517), while the civilian labor force grew from 169,313 to 171,808 (2,495). In December 2022, the Hickory MSA had the fourth lowest (eleventh highest) unemployment rate among North Carolina MSAs (Table 1). December 2022, unemployment rates by county were Alexander 2.8%, Burke 2.8%, Caldwell 3.0%, and Catawba 2.9%.

**Figure 1. MSA Unemployment, Dec. 2021 - Dec. 2022**

Source: NC Labor and Economic Analysis Division, 2023.



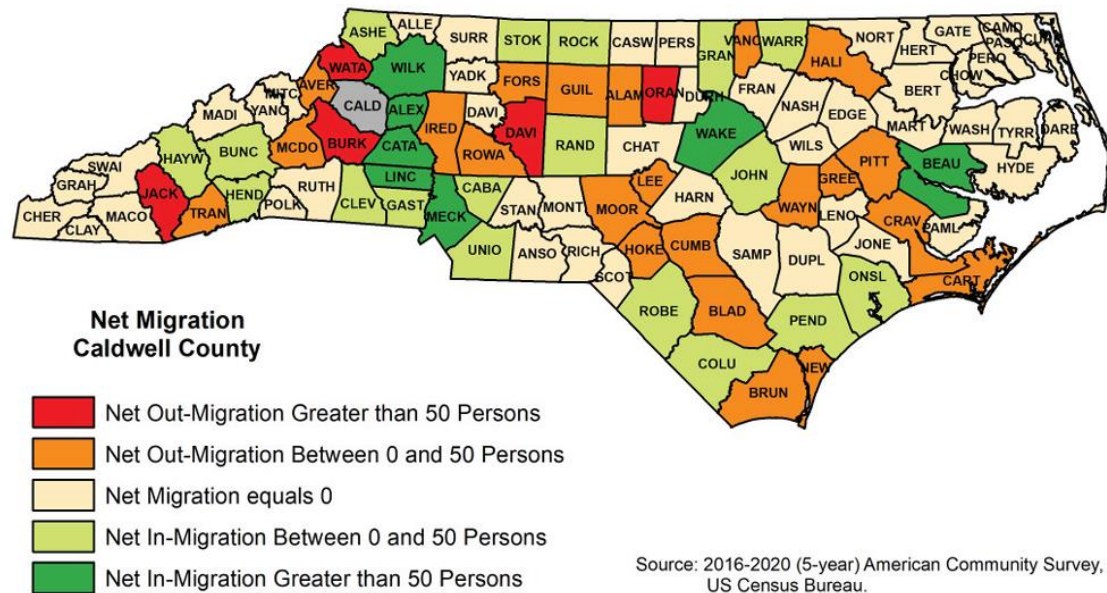
**Table 1.**

**MSA Unemployment Rate, December 2022**

Asheville	2.5%
Durham-Chapel Hill	2.6%
Raleigh	2.7%
Hickory-Lenoir-Morganton	2.9%
Wilmington	2.9%
Charlotte-Concord-Gastonia	3.1%
Winston-Salem	3.1%
Burlington	3.2%
New Bern	3.2%
Goldsboro	3.4%
Greenville	3.5%
Greensboro-High Point	3.6%
Jacksonville	3.7%
Fayetteville	4.8%
Rocky Mount	5.2%

Source: NC Labor and Economic Analysis Division, 2023.

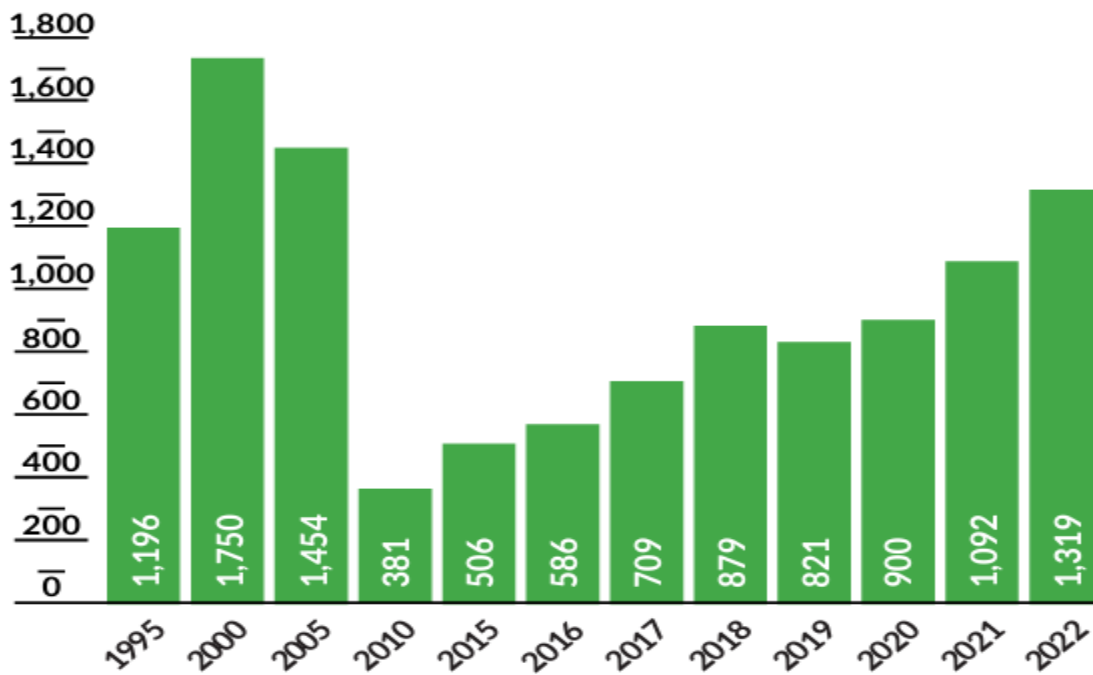
The Hickory MSA had a net increase of 2,715 people through migration between 2016 and 2020. Overall, our region fared well compared to much of the rest of the state with in-migration.



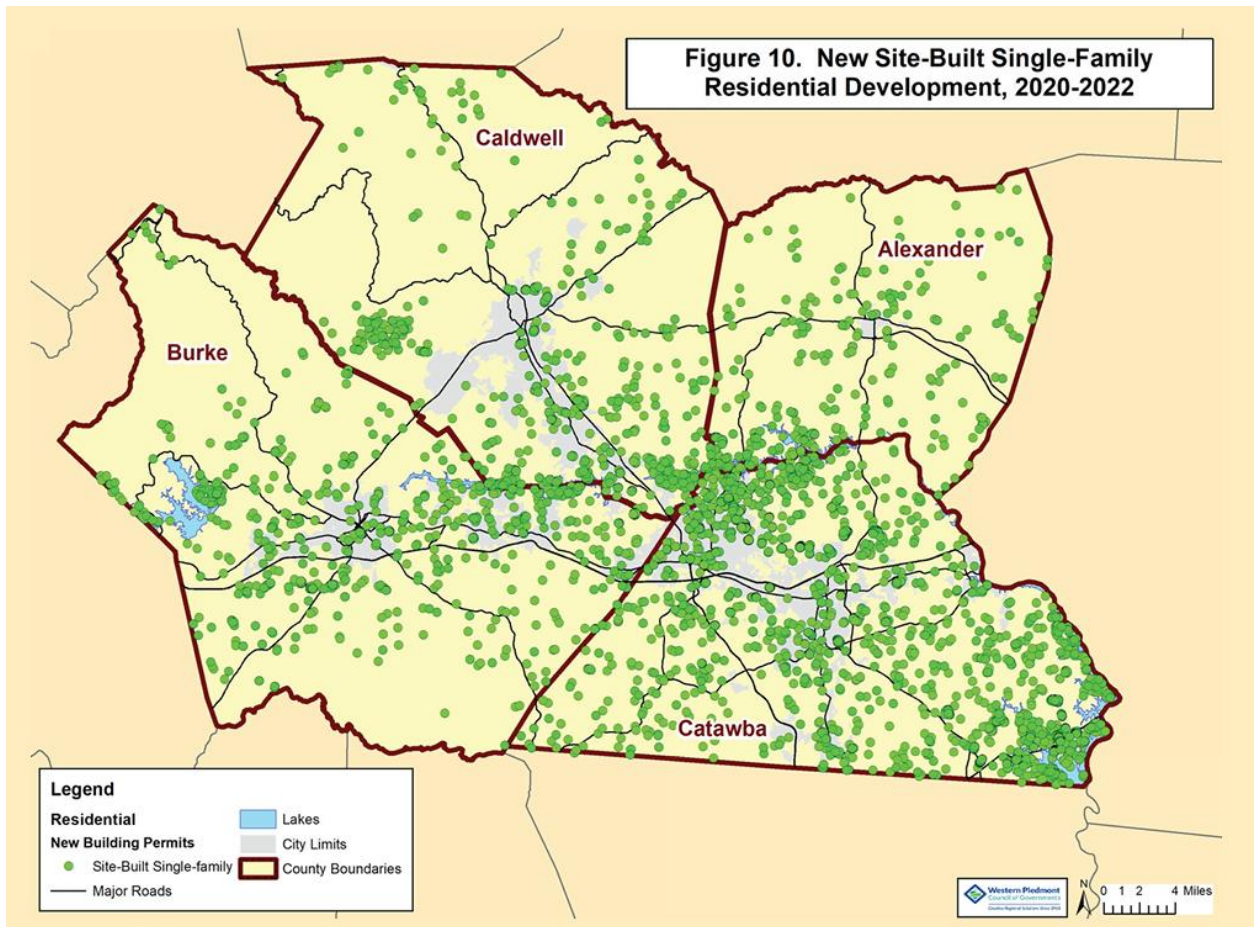
The 1,319 single-family permits issued in the Hickory MSA during 2022 were the most since 2007 (1,410 permits). Catawba County accounted for 55% of all new site-built single-family permits in the Hickory MSA during 2022.

**Figure 8. Hickory MSA Site-Built Permit Tools**

Source: Hickory Metro Area Building Inspection Departments, 2023.



Between 2020 and 2022, a majority of the building permits for single family housing were clustered around Hickory and the Catawba River. Specifically, near Lake Hickory and near Lake Norman in SE Catawba County.



The volume of single-family permitting accelerated between 2020 and 2022 in the Hickory MSA. Only the New Bern MSA (54.4%) had a greater percentage of one-unit single-family permit growth between 2021 and 2022 than the Hickory MSA (20.8%).

**Table 10. North Carolina MSA Site-Built Single-Family Permits, 2020-2022**

NC MSA	2020	2021	2022	Change 2020-22	% Change 2020-22	Change 2021-22	% Change 2021-22
Asheville	2,335	2,976	2,740	405	17.3%	-236	-7.9%
Burlington	1,182	1,557	1,793	611	51.7%	236	15.2%
Charlotte*	19,690	20,830	18,987	-703	-3.6%	-1,843	-8.8%
Durham	3,528	3,735	3,175	-353	-10.0%	-560	-15.0%
Fayetteville	1,879	2,055	2,144	265	14.1%	89	4.3%
Goldsboro	414	474	336	-78	-18.8%	-138	-29.1%
Greensboro	2,237	2,593	2,299	62	2.8%	-294	-11.3%
Greenville	687	805	688	1	0.1%	-117	-14.5%
<b>Hickory</b>	<b>900</b>	<b>1,092</b>	<b>1,319</b>	<b>419</b>	<b>46.6%</b>	<b>227</b>	<b>20.8%</b>
Jacksonville	1,351	1,555	1,212	-139	-10.3%	-343	-22.1%
New Bern	522	406	627	105	20.1%	221	54.4%
Raleigh	12,697	14,227	12,494	-203	-1.6%	-1,733	-12.2%
Rocky Mount	339	640	427	88	26.0%	-213	-33.3%
Wilmington	2,248	2,671	2,491	243	10.8%	-180	-6.7%
Winston-Salem	4,126	3,887	3,806	-320	-7.8%	-81	-2.1%

\*Includes South Carolina portion of the Charlotte MSA. Source: US Census Bureau, 2023.

## CONCLUSION

Despite Hickory and our region's economic challenges between 2001 and 2013, we have since witnessed a steady economic upturn. The Inspiring Spaces Initiative's success and the strategic investments made through the Bond Program have strengthened our economic position. The resulting private sector investments, job opportunities, and residential growth have contributed to the overall prosperity and economic well-being of the Hickory Metro area.

Hickory's economic growth shows no signs of tapering off or slowing down. With ongoing private sector projects, continued public infrastructure improvements, ample water and wastewater capacity, and the region's ability to attract new investments, we are well-positioned for sustained economic advancement. These positive indicators instill confidence in Hickory's future economic prospects. All of this has been made possible through City Council's vision and bold action.

I respectfully submit the Recommended Annual Budget for FY2023-2024.

Sincerely,



Warren Wood  
City Manager  
City of Hickory, NC



# Budget Overview



## FY2023-2024 ADOPTED BUDGET OVERVIEW

<u>Operating Funds</u>	<u>Adopted Budget Amount</u>
General Fund	\$68,564,275
Water and Sewer Fund	38,041,282
Sludge Composting Fund	2,001,284
Stormwater Fund	278,454
Airport Fund	2,220,352
Solid Waste Fund	7,842,268
<b>Total</b>	<b>\$118,947,915</b>
 <u>*Internal Service Funds</u>	
Capital Reserve Fund	\$4,540,000
W&S Capital Reserve Fund	2,291,634
Fleet Maintenance Fund	3,569,998
Insurance Fund	7,565,180
<b>Total</b>	<b>\$17,966,812</b>
 <b>All Funds Total</b>	 <b>\$136,914,727</b>

\*The Internal Service Funds are supported by budgetary transfers from the Operating Funds they serve. Even though including them in the overview above creates a double counting, to exclude them would not give a comprehensive view of the City's budget.

## THE FUNDS OF THE ADOPTED BUDGET

### General Fund

The General Fund contains all the governmental services that do not generate sufficient revenue to support their activities including Police, Fire, Recreation, Public Services, Library, Planning and Development, Administration, and Governing Body. This fund also transfers portions of its revenue to support the City's Stormwater Fund and the Capital Reserve Fund.

In the FY2023-2024 Budget, the General Fund is balanced with a property tax rate of forty-five and fifty ten thousandths (\$0.4550) cents per one hundred dollars (\$100) valuation. This rate is expected to provide \$36,600,000 in property tax revenue.

For FY2023-2024, the property tax base is estimated to be \$8,077,966,060.

The FY2023-2024 General Fund Budget totals \$68,564,275.

### Water and Sewer Fund

The Water and Sewer Fund contains all water production, water distribution, wastewater collection and wastewater treatment activities of the City. This fund is totally self-supporting, meaning it receives no supplement from any other fund to support its operations.

There is a 10% increase proposed in water and sewer volume rates for FY2023-2024. Water and sewer operations have experienced material and energy cost increases over the past year but only nominal growth in its customer base, therefore necessitating this increase.

The FY2023-2024 Water and Sewer Fund Budget totals \$38,041,282.

### Sludge Composting Fund

# Budget Overview

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The Sludge Composting Fund contains all sludge (wastewater by-product) management activities of Hickory, Conover and Catawba County.

Historically, a consortium consisting of Hickory, Conover, and Catawba County managed the Sludge Composting Fund. This fund has received its revenues from those jurisdictions, and the finances of the fund are managed by the City of Hickory. Since FY2022-2023, however, Catawba County is no longer part of the consortium. Thus, Hickory and Conover will contribute 85% and 15%, respectively, to the Sludge Fund operation this year.

The FY2023-2024 Budget for the Sludge Composting Fund totals \$2,001,284.

## **Stormwater Fund**

The Stormwater Fund contains all the activities related to complying with Federal and State Stormwater Regulations. It is jointly funded by both the General Fund and the Water and Sewer Fund, each of which contributes half the Fund's cost.

The FY2023-2024 Stormwater Fund Budget totals \$278,454.

## **Airport Fund**

The Airport Fund contains all activities of the Hickory Regional Airport, including administrative operations, maintenance, capital improvements, Control Tower, and Fixed Based Operations responsibilities. This fund is largely self-supporting through fees and sales; however, during FY2022-2023, the City began contributing property tax revenue in an amount generated directly by aircraft. For FY2023-2024, this amount is anticipated to be \$250,000.

The FY2023-2024 Budget for the Airport Fund totals \$2,220,352.

## **Solid Waste Fund**

The Solid Waste Fund contains the following divisions: Residential Collection, Recycling, and Commercial Bulk Services.

The Solid Waste Fund is largely supported by the Solid Waste Fee which is paid by all residential solid waste customers in the City. For FY2023-2024 there is a recommended rate increase of \$1.00 per month to residential customers and 5% to commercial services.

The FY2023-2024 Solid Waste Fund Budget totals \$7,842,268.

## **Capital Reserve Fund and Water and Sewer Capital Reserve Fund**

The Capital Reserve Fund exists as a financial tool to help in the funding of future capital projects. It is the City's practice to budget up to two (\$0.02) cents of the property tax rate towards the Capital Reserve Fund to ensure the availability of funds necessary for capital projects such as buildings, equipment, vehicles and infrastructure. The City also sets aside a portion of its Water and Sewer Fund revenue for future water and sewer related capital purchases and projects. Without adequate funding provided to the Capital Reserve Fund, the City would have to rely more heavily on its Fund Balance or debt financing for major capital purchases.

In the FY2023-2024 Budget, the General Fund and Water and Sewer Fund will both make financial contributions to the Capital Reserve Fund. The amounts will be \$2,200,000 and \$1,340,000 respectively.

The total budget for the Capital Reserve Fund for FY2023-2024 is \$4,540,000 which includes the appropriations toward major capital purchases and projects along with \$2,291,634 to Water and Sewer Capital Reserve to specifically earmark capacity charge revenues.



# Budget Overview



## Fleet Maintenance Fund

The Fleet Maintenance Fund contains all vehicle and equipment maintenance activities of the City. This is an Internal Service Fund, meaning this fund accounts for activities that serve other funds within the City's budget structure. The North Carolina General Statutes do not require that Internal Service Funds be included in the Annual Budget; however, they are included in this budget to more fully disclose all the financial operations of the City.

The FY2023-2024 Budget for the Fleet Maintenance Fund totals \$3,569,998.

## Insurance Fund

The Insurance Fund contains all insurance (health, dental, property/casualty, liability and worker's compensation) activities of the City. This is an Internal Service Fund, meaning this fund accounts for activities that serve other funds within the City's budget structure. The North Carolina General Statutes do not require that Internal Service Funds be included in the Annual Budget; however, they are included in this budget to more fully disclose all the financial operations of the City.

The FY2023-2024 Budget for the Insurance Fund totals \$7,565,180.

## EXPENDITURES BY FUNCTIONAL AREA

Not only are expenditures accounted for in the various funds, they are also organized into *functional areas*. Below you will find those functional areas as well as a sampling of programs, expenditures and purchases contained in the FY2023-2024 Budget.

**General Government** (Governing Body, City Manager's Office, Office of Communications, Finance, Human Resources, Information Technology, Budget Office, City Clerk, Legal, Engineering, District Court, Public Services Administration, Central Services, Landscape Services, Public Buildings, Insurance Fund, Fleet Maintenance)

- Continued Participation in the North Carolina Performance Measurement Project
- Public Art Commission Funding
- Community Appearance Commission Funding
- Neighborhood College
- Coworker Appreciation Day
- Coworker Service Awards Program
- Coworker Quality Awards Program
- Coworker Health Fair
- Safety Consulting Services
- Technology Upgrades
- GIS Database Maintenance Services (WPCOG)
- Contracted Legal Services (City Attorney)

**Public Safety** (Police, Code Enforcement, Fire, Hickory Rural Fire District)

- Catawba County Animal Shelter Funding
- Replacement of Police Communications Equipment
- Replacement Police Vehicles and Accessories
- Expansion of the Police Camera Program
- Replacement of Police Weapons
- Spay/Neutering Program
- Fire Department Suppression Equipment
- Mandated Fit and Flow Testing for Fire SCBA equipment

**Airport** (Traffic, Street, Airport, Airport – FBO)

# Budget Overview

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- Installation of Traffic Signal Equipment
- Maintenance of Traffic Signal System
- Street Resurfacing
- Street Maintenance
- Right-of-Way Mowing
- Roadside Litter Contract
- Continued Implementation of the Sidewalk/Bikeway Master Plan (\$5 vehicle fee)

**Environmental Protection** (Water and Sewer Administration, Wastewater Collection System, Henry Fork Wastewater Treatment Plant, Northeast Wastewater Treatment Plant, Hickory-Catawba Wastewater Treatment Plant, Water Treatment Plant, Pretreatment & Lab Division, Water Distribution System, Sludge Composting Facility, Recycling, Residential Sanitation, Commercial Bulk Services, Stormwater)

- Administration of Federal Stormwater Regulations
- Provide Water and Sewer Taps to Habitat for Humanity projects
- Sanitary Sewer Overflow Program
- Water Tank Maintenance Program
- Water Consumer Confidence Report
- Contract with Veolia Water North America for Sludge Composting Facility Operations
- Provide 85% of the Funding for the Sludge Composting Facility Operations (2 Member Consortium)
- Contract with Republic for Recycling Services (Single Stream)
- Contract for Yard Waste Grinding Services
- Contracted Labor for Leaf Collection
- Replacement of Cardboard Recycling Containers
- Replacement of Multifamily Recycling Containers
- Replacement of Residential Sanitation Containers
- Replacement of Commercial Bulk Dumpsters

**Economic and Community Development** (Planning and Development, External Economic Development Appropriations, Business Incentives)

- Hickory Metro Convention and Visitors Bureau Funding
- Community Relations Council Funding
- Catawba County Economic Development Corporation Funding
- Funding for the Hickory Downtown Development Association
- Neighborhood Grant Program
- Façade and Landscape Grant Program
- Vacant Building Revitalization and Demolition Grant Program
- Business Incentives Program

**Culture and Recreation** (Parks, Recreation & Sports Tourism; LP Frans Stadium; Library; Culture & Recreation Special Appropriations)

- Recreation Facility Upgrades
- Recreation Fitness Equipment Replacement
- Priority Facility Use Agreement With Hickory Public Schools
- Funding for Library Technology Upgrades
- Funding for United Arts Council of Catawba County
- Funding for the SALT Block

## Other Financing Uses

- General Fund Transfer to General Capital Reserve (2 cents policy)

# Budget Overview

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- Water and Sewer Fund Transfer to General Capital Reserve

## Debt Service

- General Obligation Bonded Debt
- Hickory Metro Convention Center – General Fund
- Geitner Basin Sewer Project – Water and Sewer Fund
- Maiden Waterline – Water and Sewer Fund
- Northeast Wastewater Treatment Plant – Water and Sewer Fund
- Henry River Basin Sewer Project – Water and Sewer Fund
- Hickory-Catawba Wastewater Treatment Plant – Water and Sewer Fund
- Cripple Creek Sewer Outfall – Water and Sewer Fund
- Central Business District Infrastructure Rehabilitation – Water and Sewer Fund
- Police Department Radio Communications System
- \$7,500,000 Installment Purchase Financing for Multiple Capital Projects

## Contingency

- General Fund maintains Contingency Funding at a level up to 1.5% of Recurring Revenue
- Water and Sewer Fund has no official contingency target, but generally maintains Contingency Funding equal to between 0.5% and 1% of Recurring Revenue

# Annual Budget Ordinance



## CITY OF HICKORY Budget Ordinance Fiscal Year 2023-2024

**BE IT ORDAINED** by the Governing Board of the City of Hickory, North Carolina:

**SECTION 1:** It is estimated that the following revenues will be available in the General Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Ad Valorem Taxes	\$ 37,100,000
Other Taxes	23,280,000
Unrestricted Intergovernmental Revenues	690,000
Restricted Intergovernmental Revenues	2,752,463
Licenses and Permits	4,500
Sales and Services	1,855,080
Investment Earnings	250,000
Miscellaneous	381,000
Other Financing Sources	<u>2,251,232</u>
	<b>\$68,564,275</b>

**SECTION 2:** The following amounts are hereby appropriated in the General Fund for the operation of the City government and its activities for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024, in accordance with the chart of accounts heretofore established for this City:

General Government	\$ 13,810,863
Public Safety	28,781,439
Transportation	7,494,219
Economic and Community Development	4,248,780
Culture and Recreation	4,696,388
Other Financing Uses	3,389,227
Debt Service	4,793,359
Contingency	<u>1,350,000</u>
	<b>\$68,564,275</b>

**SECTION 3:** It is estimated that the following revenues will be available in the Water and Sewer Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Restricted Intergovernmental Revenues	\$ 1,489,241
Sales and Services	28,246,690
Investment Earnings	60,000
Miscellaneous	1,298,526
Other Financing Sources	<u>6,946,825</u>
	<b>\$38,041,282</b>

# Annual Budget Ordinance



**SECTION 4:** The following amounts are hereby appropriated in the Water and Sewer Fund for the operation of the water and sewer utilities for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	\$ 31,951,581
Other Financing Uses	2,625,044
Debt Service	3,064,657
Contingency	<u>400,000</u>
	<b>\$ 38,041,282</b>

**SECTION 5:** It is estimated that the following revenue will be available in the Sludge Compost Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Restricted Intergovernmental Revenues	\$ <u>2,001,284</u>
	<b>\$ 2,001,284</b>

**SECTION 6:** The following amounts are appropriated in the Sludge Compost Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	\$ <u>2,001,284</u>
	<b>\$ 2,001,284</b>

**SECTION 7:** It is estimated that the following revenue will be available in the Stormwater Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Other Financing Sources	\$ <u>278,454</u>
	<b>\$ 278,454</b>

**SECTION 8:** The following amounts are appropriated in the Stormwater Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	\$ <u>278,454</u>
	<b>\$ 278,454</b>

**SECTION 9:** It is estimated that the following revenues will be available in the Airport Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Sales and Services	\$ 1,857,352
Restricted Governmental Revenues	108,000
Investment Earnings	5,000
Other Financing Sources	<u>250,000</u>
	<b>\$ 2,220,352</b>

# Annual Budget Ordinance



**SECTION 10:** The following amounts are appropriated in the Airport Fund for the operation of Transit and Airport activities for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024, in accordance with the chart of accounts heretofore established for this City:

Transportation	\$ 2,020,352
Contingency	<u>200,000</u>
	<b>\$ 2,220,352</b>

**SECTION 11:** It is estimated that the following revenues will be available in the Solid Waste Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Other Taxes	\$ 30,000
Sales and Services	6,833,200
Investment Earnings	20,000
Miscellaneous	2,000
Other Financing Sources	<u>957,068</u>
	<b>\$ 7,842,268</b>

**SECTION 12:** The following amounts are appropriated in the Solid Waste Fund for the operation of recycling, residential solid waste collection and commercial bulk services activities for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024, in accordance with the chart of accounts heretofore established for this City:

Environmental Protection	\$ 7,679,098
Debt Service	113,170
Contingency	<u>50,000</u>
	<b>\$ 7,842,268</b>

**SECTION 13:** It is estimated that the following revenue will be available in the Capital Reserve Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Other Financing Sources	\$ <u>4,540,000</u>
	<b>\$ 4,540,000</b>

**SECTION 14:** The following amounts are hereby appropriated in the Capital Reserve Fund for the Fiscal Year beginning July 1, 2023, and ending June 30, 2024 in accordance with the chart of accounts heretofore established for this City:

General Government	\$ 2,200,000
Environmental Protection	1,340,000
Other Financing Uses	<u>1,000,000</u>
	<b>\$ 4,540,000</b>

**SECTION 15:** It is estimated that the following revenue will be available in the Water and Sewer Capital Reserve Fund for the Fiscal Year beginning July 1, 2023 and ending June 30, 2024:

Other Financing Sources	\$ <u>2,291,634</u>
	<b>\$ 2,291,634</b>

# Annual Budget Ordinance



**SECTION 16:** The following amounts are hereby appropriated in the Water and Sewer Capital Reserve Fund for the Fiscal Year beginning July 1, 2023, and ending June 30, 2024 in accordance with the chart of accounts heretofore established for this City:

Other Financing Uses	\$ 2,291,634
	<u>\$ 2,291,634</u>

**SECTION 17:** The following amounts form the revenue portion of the financial plan for the Fleet Maintenance Fund:

Sales & Services	\$ 3,569,998
	<u>\$ 3,569,998</u>

**SECTION 18:** The following amounts form the expenditure portion of the financial plan for the Fleet Maintenance Fund:

General Government	\$ 3,569,998
	<u>\$ 3,569,998</u>

**SECTION 19:** The following amounts form the revenue portion of the financial plan for the Insurance Fund:

Sales & Services	\$ 7,455,180
Investment Earnings	60,000
Other Financing Sources	50,000
	<u>\$ 7,565,180</u>

**SECTION 20:** The following amounts form the expenditure portion of the financial plan for the Insurance Fund:

General Government	\$ 7,565,180
	<u>\$ 7,565,180</u>

**SECTION 21:** The operating funds encumbered on the financial records of June 30, 2023 are hereby reappropriated into this budget.

**SECTION 22:** There is hereby levied a property tax at the rate of forty-five and fifty ten thousandths' cents (\$0.4550) per one hundred dollars (\$100) valuation of property as listed for taxes as of January 1, 2023, for the purpose of raising the revenue listed as "Ad Valorem Taxes" in the General Fund in Section 1 of this ordinance. This rate is based on a total estimated valuation of property for the purposes of taxation of \$8,077,966,060 and the Fiscal Year 2023-2024 estimated rate of collection of 99.15%.

**SECTION 23:** The corresponding "FY 2023-2024 Schedule of Fees" is approved with the adoption of this Annual Budget Ordinance.

# Annual Budget Ordinance

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**SECTION 24:** The City Manager (Budget Officer) is hereby authorized to transfer appropriations as contained herein under the following conditions:

- a. He may transfer amounts between line-item expenditures within the same functional area within a fund without limitation.
- b. He may transfer amounts up to \$250,000 between functional areas including contingency appropriations within the same fund.
- c. He may not transfer any amounts between funds, except as approved by the Governing Board in the Annual Budget Ordinance as amended.

**SECTION 25:** The City Manager (Budget Officer) is hereby authorized to execute agreements, within funds included in the Budget Ordinance or other actions by the Governing Body, for the following purposes:

- a. Form grant agreements to public and non-profit organizations;
- b. Leases;
- c. Consultant, professional, or maintenance service agreements;
- d. Purchase of supplies, materials, or equipment where formal bids are not required by law;
- e. Purchase of real property when funds are available or made available by the Governing Body in the budget;
- f. Applications for and agreements for acceptance of grant funds from federal, state, public, and non-profit organizations, and other funds from other governmental units, for services to be rendered;
- g. Construction or repair projects;
- h. Liability, health, life, disability, casualty, property, or other insurance or performance bonds;
- i. All other contracts and agreements adopted by the Governing Body or is authorized to sign by NC General Statutes;
- j. Easements

**SECTION 26:** Copies of the Annual Budget Ordinance shall be furnished to the City Clerk, to the Governing Board and to the City Manager (Budget Officer) and the Finance Officer to be kept on file by them for their direction in the disbursement of funds.



# Annual Budget Ordinance



## CITY OF HICKORY 2023 COMMUNITY DEVELOPMENT ENTITLEMENT BLOCK GRANT PROJECT ORDINANCE

**BE IT ORDAINED** by the City Council of the City of Hickory that, pursuant to Section 13.2 of Chapter 159 of the General Statutes of North Carolina, the following grant project ordinance is hereby adopted.

**SECTION 1.** The project authorized is the 2023 Community Development Entitlement Block Grant program.

**SECTION 2.** The officers of this unit are hereby directed to proceed with the grant project within the terms of the grant document(s), the rules and regulations of the Department of Housing and Urban Development, and the budget contained herein.

**SECTION 3.** The following revenues are anticipated to be available to complete the project:

Restricted Intergovernmental Revenues	\$328,228
Miscellaneous	<u>\$160,000</u>
	<b>\$488,228</b>

**SECTION 4.** The following amounts are appropriated for the project:

Economic and Community Development	<u>\$488,228</u>
	<b>\$488,228</b>

**SECTION 5.** The Finance Officer is hereby directed to maintain within the Grant Project Fund sufficient specific detailed accounting records to provide the accounting to the grantor agency required by the grant agreement(s) and Federal and State regulations.

**SECTION 6.** Funds may be advanced from the General Fund for the purpose of making payments as due. Reimbursement requests should be made to the grantor agency in an orderly and timely manner.

**SECTION 7.** Copies of this grant project ordinance shall be furnished to the Clerk of the Governing Board, the City Manager (Budget Officer) and the Finance Officer for direction in carrying out this project.

Adopted this 20<sup>th</sup> day of June, 2023

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Mayor

Attest:

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Debbie Miller

City Clerk

# City Council Goals and Objectives

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## Hickory City Council FY23-FY24 Goals and Objectives

### Strategic Priority: Population Growth & Economic Development

1. Bond Projects
  - A. Complete construction or begin construction on unfinished bond projects and Hickory Trail segments.
  - B. Establish development opportunities along the Hickory Trail System and work toward the goals set forth in the Hickory Trail Report.
  - C. Consider next steps for the creation of additional amenities after the bond projects' completion.
2. Promote Economic Development and Jobs
  - A. Continue pursuing development partnerships and opportunities for high-tech manufacturing at Trivium Corporate Center and its expansion at Trivium East.
  - B. Encourage corporate headquarter recruitment and industrial park growth.
  - C. Continue marketing the remaining City owned industrial properties.
  - D. Continue the utilization of Vacant Building Revitalization and Brownfield Grants to improve blighted properties and redevelop obsolete manufacturing facilities.
  - E. Utilize NCWorks and other career-based initiatives to promote local employment opportunities.
  - F. Support the partnership and construction of the regional workforce training and educational facility called the Hickory Aviation Museum and Catawba Valley Community College Workforce Innovation Center.
3. Encourage Development of Additional Housing
  - A. Support partnerships and policies to help encourage the construction of new housing, both market-rate and affordable, to help alleviate the currently low housing stock.
  - B. Continue to build upon the Hickory Affordable Housing Initiative, utilizing city owned properties to create affordable housing for low-income households.
  - C. Pursue single-family home ownership opportunities in strategic locations to help stabilize distressed neighborhoods including partnerships with non-profit housing groups such as Habitat for Humanity.

### Strategic Priority: Infrastructure

1. Improve Transportation
  - A. Pursue enhancements to Hickory Regional Airport to attract additional aircraft, including the resurgence of commercial air service.
  - B. Work with NCDOT and the MPO to develop other projects benefiting Hickory.
  - C. Continue to partner with Greenway Public Transit system.
2. Leverage the City's Regional Utilities
  - A. Pursue new utility extensions and regional agreements to enhance the utility system's economy of scale.
  - B. Use the City's strength in water and sewer services as an economic development tool.

### Strategic Priority: Quality of Life

1. Provide a Safe Community for Residents and Visitors
  - A. Promote proactive public safety partnerships with citizens and neighborhood groups.

# City Council Goals and Objectives



- B. Support participation in the Law Enforcement Assisted Diversion (LEAD) program.
- C. Support participation in Active Bystandership for Law Enforcement (ABLE) program.
- 2. Offer High Quality Recreation and Cultural Opportunities
  - A. Complete construction of the City Walk, Riverwalk, and Aviation Walk Bond Projects as recreational destinations for citizens and visitors.
  - B. Begin construction of the other components of the Hickory Trail System (Historic Ridgeview Walk and O.L.L.E. Art Walk.)
  - C. Maintain public assets downtown to promote growth and create a unique downtown experience.
  - D. Focus efforts on expanding recreational opportunities through the Parks, Recreation & Sports Tourism Department along with partnerships with the Hickory Metro Convention & Visitors Bureau and other recreation partners in the community.
  - E. Continue partnership with Deidra Lackey family to complete design and begin construction of one-of-a-kind entertainment and cultural venue at Geitner Park.
  - F. Continue to implement the updated library strategic plan as possible within budget constraints.
  - G. Update Recreation Master Plan.
- 3. Protect the Natural Environment
  - A. Continue to promote the Hickory Litter Quitter Campaign, which encourages residents to make a public commitment to refrain from littering.
  - B. Review single-stream recycling efforts to gauge effectiveness and make necessary modifications to improve efficiency.
  - C. In meeting the EPA NPDES Phase II federal storm water regulations, continue implementing stormwater best practices and complying with stormwater regulations.
  - D. Partner with other organizations (Reese Institute, Duke Energy, Catawba-Wateree Basin Advisory Commission, and the Catawba Riverkeeper) to promote policies and practices which protect the river, improve water quality, and protect our water supply.

## **Strategic Priority: Vision and Leadership**

- 1. Support and Promote Higher Education Opportunities
  - A. Work collaboratively with Lenoir-Rhyne University, Catawba Valley Community College, and Appalachian State University on initiatives and opportunities which would positively impact our community.
  - B. Pursue partnerships with local high schools and higher education facilities for recruitment and to encourage careers in municipal government.
  - C. Continue to partner with CVCC to promote careers in public safety.
- 2. Lead Regional Initiatives
  - A. Be the lead agency on regional economic development issues to adequately represent the hub of the population and workforce in the Metro area.
  - B. Participate on local and regional boards/committees to ensure City interests are preserved (i.e., WPCOG, EDC, MPO, NC Works, and Innovate Catawba).
  - C. Continue to lead the region in protecting and promoting the Catawba River Basin.
- 3. Promote City Priorities in the 2023-2024 Legislative Agenda to Federal and State Governments
  - A. Continue to monitor State and Federal legislative issues affecting the City.
  - B. Develop and promote state and national legislative priorities that are in the specific interest of the City of Hickory.

# City Council Goals and Objectives

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## **Strategic Priority: Communication and Marketing**

1. Provide best practice quality communication on public information and city events to our residents.
2. Expand the City's marketing and recruitment efforts for economic development opportunities as well as workforce development and population growth.
3. Expand the City's marketing and recruitment efforts for jobs with the City of Hickory.
4. Continue to market the City of Hickory "Life Well Crafted" Brand and partner with other entities to promote Hickory as a place to live, work and play.
5. Continue to offer and support interactive and innovative programs offered by the City, such as the Neighborhood College and the Citizens' Police and Fire Academies.

# City Council Goals and Objectives

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## Hickory City Council FY 2023-2024 Financial Policies

These Financial Policies are adopted to help guide the City in the management of its financial resources. Although the North Carolina Local Government Budget and Fiscal Control Act regulates North Carolina governmental units in financial matters, these policies adopted by the City Council are often more stringent and reflect the specific desires of City Council. These Financial Policies are designed to allow the City to function as a fiscally sound governmental unit.

### 1. Revenue Policy

- A. The property tax rate shall be set each year based on the cost of providing general government services.
- B. The rate and fee structure established for the Water and Sewer Fund will be sufficient to finance needed operating, capital, and debt service costs for providing water and sewer services. Rates and fees in the Water and Sewer Fund will generally increase annually by the amount necessary to keep the Fund self-supporting.
- C. The City will endeavor to ensure the Solid Waste Fund is a self-supporting enterprise.
- D. Revenue projections will be made in a conservative manner.
- E. To the extent practical, any City service that benefits specific recipients shall be supported either fully or in part by user fees. Those fees will generally increase by the annual Consumer Price Index. Examples include certain recreation programs and fire inspections activities.
- F. Project revenues for five years and update those projections annually.
- G. When investing City funds, safety and liquidity will take precedence over yield.
- H. Except in cases of emergencies, under urgent conditions, or for one-time capital expenses, Fund Balance Appropriated shall not exceed an amount that management can reasonably expect to save during the year.

### 2. Operating Budget Policy

- A. The City will continue to develop benchmarks and productivity ratios integrated with work performance standards to assist in the evaluation of expenditures.
- B. Continue the City's participation in the North Carolina Benchmarking Project.
- C. Prepare a five-year operating budget projection that will include projections of annual growth.
- D. Ensure that all water and sewer expansions represent sound investments for the City.
- E. During the course of the fiscal year, the City Manager may, at his discretion, take the necessary action to keep the City's Annual Budget balanced and solvent.

### 3. Capital Improvement Policy

- A. Annually, the City will update its Five-Year Capital Improvement Plan, which will list each capital project, the estimated cost and the anticipated year in which the project is to occur. This plan will be used as a guide in the development of the annual budget.
- B. When funding capital items, priority will be placed on the replacement of existing equipment, maintaining existing facilities, and making enhancements to existing facilities. Capital projects related to new facilities not currently in existence will receive the lowest priority, unless a designated funding source is available for the project.

# City Council Goals and Objectives

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## 4. Accounting Policy

- A. Annually, an independent certified public accounting firm will issue an official opinion on the City's annual financial statements to the City Council. Additionally, City Council will appoint an Audit Committee to meet with the auditors and discuss their findings.
- B. Financial systems will be maintained to monitor revenues and expenditures on a monthly, quarterly, and annual basis.
- C. Staff will give a Financial Report to City Council on a quarterly basis.

## 5. Debt Management Policy

### Introduction

The City of Hickory recognizes that one of the keys to sound financial management is the development of a debt management policy. A debt management policy sets forth the parameters for issuing debt and managing outstanding debt. The policy provides guidance to the administration regarding purpose for which debt may be issued, types and amounts of permissible debt, and method of sale that may be used. The debt policy recognizes a binding commitment to full and timely repayment of any and all tax supported debt as an essential requirement for entry into the capital markets. The policy shall be reviewed annually as part of the City's budget process and amended as appropriate.

### Purpose

The debt management policy is intended to guide the prudent use of resources to provide the needed services to the citizens of the City of Hickory. Adherence to a debt policy helps to ensure that a government retains a sound debt position and maintains the City's credit ratings with various rating agencies. Development of a debt management policy is a recommended practice by the Government Finance Officers Association (GFOA).

### Debt Instruments

The City will use appropriate debt instruments to provide funding for capital assets at the lowest cost with minimal risk.

#### General Obligation Bonds:

General obligation bonds are bonds secured by a promise to levy taxes in an amount necessary to pay debt service, principal and interest, coming due each fiscal year. General obligation bonds are backed by the full faith and credit of the City. These bonds are authorized by a referendum or by non-voted (2/3) authorization by the governing body. The non-voted authorization allows governments to issue up to two-thirds of the previous year's net debt reduction without a referendum.

#### Revenue and Special Obligation Bonds:

Revenue bonds are bonds that pledge revenues generated by the debt-financed asset or by the operating system of which that asset is a part. Special obligation bonds are bonds that are payable from the pledge of revenues other than locally levied taxes.

#### Other Financing Options:

Installment financings are alternative financing methods that do not require voter approval. Certificates of participation or limited obligation bonds represent an undivided interest in the payments made by a public agency

# City Council Goals and Objectives

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pursuant to a financing lease or an installment purchase agreement. The security for this financing is represented by a lien on the property acquired or constructed.

An Installment Purchase Contract is an agreement with a financial institution in which the equipment or property is acquired, and periodic payments are made to satisfy the debt service. The City will typically use this type of financing to finance a capital asset for ten to twenty years with the capital asset being used as collateral for the loan. In other cases, this financing will be used for short-term equipment or vehicle purchases of three to five years.

The City will use pay-as-you-go funding for capital improvements or capital assets having a cost of less than \$250,000 or assets having a useful life of less than ten years unless budgetary constraints require the use of financing to acquire the necessary funding for those capital improvements or capital assets.

## **Guidelines for Debt Issuance**

The City may issue debt for the purpose of acquiring or constructing capital assets including land, buildings, machinery, equipment, fixtures and any other eligible expenses of the project and for making major renovations to existing capital improvements, for the good of the public. Exceptions to this rule will be considered on a case-by-case basis to determine if the contemplated debt is in the best interests of the City. Long-term debt shall not be used to finance ongoing operational expenses. When applicable, debt issuance will be pooled together to minimize issuance expense.

Before issuing any new debt, the City will consider the following factors:

- Global, national, and local financial environment and economy
- Current interest rates and expected interest rate changes
- Cash position and current debt position
- Availability of funds to repay the debt
- Urgency of current capital needs and flexibility to meet future needs
- Appropriate debt issuance practices and debt structuring

## **Debt Structure**

The debt structure is made up of the type of debt, interest rate, and principal maturity schedule. This debt could be general obligation, revenue, or special obligation bonds, or other installment financings. The cost of taxable debt is typically higher than the cost of tax-exempt debt; however, the issuance of taxable debt is mandated in some circumstances and may allow flexibility in subsequent contracts with users or managers of the improvements constructed with the bond proceeds. The City will usually issue obligations on a tax-exempt basis, but may occasionally issue taxable obligations when there is an expected benefit from doing so. The City shall establish an affordable debt level to preserve credit quality and ensure sufficient revenue is available to pay annual debt service obligations.

General obligation bonds will generally be competitively bid with no more than a 20-year life unless there are compelling factors which make it necessary to extend beyond this point and applicable law allows a longer term. In a competitive sale, the City may sell its debt obligations in which any interested underwriter or syndicate is invited to submit a proposal to purchase an issue of bonds. The bonds are awarded to the underwriter presenting the best bid according to stipulated criteria set forth in the notice of sale.

Negotiated sales or private placements may be used where allowed when complex financing or sales structure is a concern with regard to marketability. In a negotiated sale, the bonds may be sold through an exclusive arrangement between the City and an underwriter or underwriting syndicate. At the end of successful negotiations, the issue is awarded to the underwriter. This method offers the most flexibility to the City. The criteria used to



# City Council Goals and Objectives

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select an underwriter or syndicate in negotiated sales should include, but not be limited to, the following: overall experience, marketing philosophy, capability, recent experience, underwriter's discount, and overall expenses.

The City may elect to sell its debt obligations through a private placement with a financial institution when appropriate. Selection through private placement shall be determined through a Request for Proposal (RFP) process.

Debt service for each issue will be structured in an attempt to minimize the City's interest payments over the life of the issue while taking into account the existing debt obligations of the City. Any debt issued shall not have a maturity date beyond the useful life of the asset being acquired or constructed by the debt proceeds.

The City may also consider various financing methods including fixed or variable interest rate debt in order to minimize the interest costs over the life of the issue. The use of these methods will be evaluated based on market conditions and the maximum benefit to the City while minimizing the City's risk. When appropriate, the City may choose to issue securities that pay a rate of interest that varies according to a predetermined formula or results from a periodic remarketing of the securities or reset date determined by the bondholder. The City will limit the issuance of variable rate debt to help maintain the City's credit rating. The City's long term variable rate debt will not exceed 10% of the total outstanding general debt.

Investment of bond proceeds will be consistent with those authorized by existing state law, the City's investment policy and applicable bond covenants. Bond proceeds shall be invested and tracked separately from other investments.

## **Debt Ratios**

The City will use an objective, analytical approach to determine the amount of debt to be considered for authorization and issuance. This process involves the comparison of generally accepted debt ratios from similar cities and are consistent with rating agencies best practices. These ratios will be re-evaluated every five years or sooner as market conditions dictate. In the event that the City anticipates exceeding any of the debt ratios, staff may request an exception from City Council stating the reason and the length of time.

The City shall adhere to the following ratios:

### *Net Direct Debt as a Percentage of Assessed Valuation:*

This ratio measures debt levels against the property tax base that generates the tax revenues used as the main source of debt repayment. The City will maintain its debt at no more than 2.00% of the citywide assessed value.

### *Net Direct Debt Service as a Percentage of Operational Budget:*

This ratio reflects the City's budgetary flexibility to adjust spending levels as economic conditions change. The City will maintain its net debt service at no more than 15% of the operational budget.

### *Ten-Year Payout Ratio:*

This ratio measures how quickly the City retires its outstanding indebtedness. A higher payout ratio preserves the City's capacity to borrow for future capital needs. The City will maintain its ten-year payout ratio at a 50% level or higher.

## **Refinancing of Outstanding Debt**

The City will continually review its outstanding debt and recommend issue for refunding as market opportunities arise. Debt shall only be refinanced for the purpose of achieving debt service savings, unless required to achieve specific debt management goals of the City. The estimation of net present value savings should be, at a minimum, in the range of 3% of the refunded maturities before a refunding process would be considered unless the City



# City Council Goals and Objectives

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otherwise determines the annual savings warrant the refunding. The City will not refinance debt for the purpose of deferring scheduled debt service, unless unique circumstances are present. The City is aware that refinancing for the purpose of deferring debt service may have an impact on its credit rating.

The City may issue advance refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Advance refunding transactions are those undertaken in advance of the first date the refunded debt can be called for optional redemption and will require an establishment of an escrow account for the defeasance of the refunded debt. All costs incurred in completing the refunding shall be taken into account when determining the net present value savings.

The City may issue current refunding bonds when advantageous, legally permissible and prudent while net present value savings are achieved. Current refunding transactions shall be considered whenever possible. These transactions are undertaken at or after the call date on outstanding debt and provide for redemption and replacement of refunded debt within ninety days of issuance of the refunding debt.

## **Pay-As-You-Go Financing**

The City shall use pay-as-you-go and other alternative sources of funding for capital projects to minimize debt levels. To have an effective pay-as-you-go program, at least one funding source must be identified that is consistent, reliable and large enough to provide for capital needs in an amount that reduces dependency on debt. In order to reduce the impact of capital programs on future years, the City will annually appropriate funds for its capital improvement plan. The City will also appropriate proceeds from the sale of capital assets and land, as deemed appropriate, for capital projects. This practice will allow additional funding of capital improvement projects and reduce the City's dependence on borrowing. Pay-as-you-go funding will save money by eliminating interest expense on funding projects and will improve financial flexibility in the event of sudden revenue shortfalls or emergency spending.

## **Issuance of Debt**

The scheduling and amount of bond sales and installment purchase transactions will be recommended by the City Manager, Chief Financial Officer, and Finance Officer. City Council must approve the sale. These decisions will be based upon the identified cash flow requirements for each project to be financed as well as market conditions and other relevant factors including debt ratios. If the cash requirements for capital projects are minimal in any given year, the City may choose not to issue the debt and fund the project costs and reimburse these costs when financing is arranged. In these situations, the City will adopt a reimbursement resolution prior to the expenditure of project funds. Fixed rate general obligation bond sales are conducted on a competitive basis by the Local Government Commission (LGC), a division of the Office of State Treasurer. Variable rate bonds, revenue and special obligation bonds will be sold on a negotiated basis with a selected underwriter.

The City must receive an opinion acceptable to the market from a nationally recognized law firm that each financing transaction complies with applicable laws and all agreements in connection with any financing are legal, valid and binding obligations of the City.

## **Continuing Disclosure**

In accordance with the Securities and Exchange Commission (SEC), Rule 15c-2-12, the City will provide financial and operating information to the repository or repositories designated by the SEC. Where applicable, the City will also provide its Comprehensive Annual Financial Report (CAFR) and other relevant information to rating agencies,

# City Council Goals and Objectives

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corporate trustees, and financial institutions as required by Continuing Disclosure requirements within all debt documents.

## **Arbitrage Liability Management**

The City will maintain a system of record keeping and reporting to meet the arbitrage and rebate compliance requirements of the federal tax code. This effort includes tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting applicable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding debt issues.

It is the City's policy to minimize the cost of arbitrage rebate and yield restriction while strictly complying with the applicable laws. Because of the complexity of arbitrage rebate regulations and the severity of non-compliance penalties, arbitrage calculation will be performed by qualified arbitrage professionals in strict adherence to applicable laws and regulations. These calculations are done in accordance with required Internal Revenue Service reporting dates.

## **Credit Ratings**

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City's general financial condition, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain its bond rating by improving its financial policies, budgets, forecasts, and financial health.

## **Financing Team**

The City will provide for a solicitation and selection process for securing all professional services required in connection with any debt issues. The service professionals selected will be required to follow the City's debt management policy with the goal of continuity, quality service, and competitive prices.

## **Administration and Implementation**

The City Manager, Chief Financial Officer, and Finance Officer are responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy. Any exception to the debt management policy must be presented to City Council and approved by a specific action by the Council.

## **6. Reserve Policies**

- A. In the Annual Budget, the City will reserve the equivalent of two pennies on the City's property tax rate in the General Capital Reserve Fund, for the purpose of funding capital expenditures on a pay-as-you-go basis.
- B. The City will establish a General Fund Contingency Reserve to provide for unanticipated expenditures of a nonrecurring nature to meet unexpected increases in service delivery costs. This reserve will be budgeted at an amount up to 1.5% of recurring General Fund revenues estimated for that fiscal year.
- C. Fund Balance:

### **Introduction**

The City of Hickory recognizes that a fund balance policy is essential to establishing guidelines for adequate fund balance. The policy will assist in maintaining sufficient levels of available fund balance to meet unexpected financial needs of the City during emergency situations or adverse financial conditions. Rating agencies examine fund balance when considering overall economic health and credit quality of the City.

# City Council Goals and Objectives

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## Definitions

Fund balance is the difference between assets and liabilities reported in a governmental fund. It is simply a measurement of financial resources available to fund future expenditures of the City.

Fund balance is categorized into five specific classifications based on limitations of use. The Governmental Accounting Standards Board (GASB) defines the classifications as non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

- I. Non-spendable fund balance – Amounts that are not in spendable form or amounts which are legally required to be remain intact.
- II. Restricted fund balance – Amounts that can be spent only for the specific purposes stipulated by external parties either constitutionally or through enabling legislation.
- III. Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action of the Council. Commitments may be modified or removed by the same formal action required for initial commitment.
- IV. Assigned fund balance – Amounts intended to be used by the government for specific purposes which are neither restricted nor committed.
- V. Unassigned fund balance – Amounts not included in any other classification. Unassigned amounts are available for any legal purpose.

## Policy

The City of Hickory formally establishes the goal of maintaining unassigned fund balance in the General Fund in an amount of twenty-five percent (25%) of the General Fund expenditures. This amount represents three months of operating expenditures for the City.

Based on the recommendation of the North Carolina Local Government Commission, the City of Hickory will maintain available fund balance in the General Fund in an amount no less than eight percent (8%) of the General Fund expenditures. The independent auditor of the City shall monitor the City's compliance with this established fund balance policy. The auditor shall report related findings and recommendations annually as part of the City audit.

## Use and Replenishment

General fund balance will not be appropriated to support the ongoing operations of the City except in extreme emergency situations. It will be used for expenditures considered non-recurring in nature. If the fund balance amount should fall below the twenty-five percent (25%) goal level at the end of the fiscal year, Council must approve and adopt a plan to restore the balance to the goal level within twenty-four (24) months. If restoration of the fund balance cannot be accomplished within the time period without severe hardship to the City, then Council will establish a different time period agreed upon by Council members and City management.

# City Council Goals and Objectives

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## 4. Financial Partnerships Policy

- A. When feasible, the City will seek financial partnerships with organizations in the community as a means of providing services in the most cost-effective way.
- B. When renovating, enhancing or constructing City-owned facilities, the City will seek financial partnerships, when feasible, with organizations or individuals who benefit from those facilities in order to limit the use of public funds and to maximize the benefit of those funds.

## 5. Investment Policy

### **Purpose**

It is the policy of the City of Hickory (hereafter the "City") to invest public funds in a manner which maximizes security and provides maximum return in preserving and protecting funds while meeting the daily cash flow demands and adhering to all applicable statutes governing the investment of public funds.

### **Governing Authority**

The investment program of the City shall be operated in conformance with federal, state and other legal requirements, including provisions of North Carolina General Statute 159-30.

### **Scope**

This investment policy applies to all financial assets in the City's investment portfolio. Except for cash in certain restricted and special funds, the City will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds in accordance with generally accepted accounting principles and G.S. 159-30(e).

### **General Objectives**

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

#### Safety

Safety of principal is the foremost objective of the investment program. Investments of the City shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

#### Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

#### Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return

# City Council Goals and Objectives

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on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- Liquidity needs of the portfolio require that the security be sold.

## **Standards of Care**

### Prudence

Investments will be made according to the “prudent person” standard. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

### Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officials shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

### Delegation of Authority

Authority to manage the investment portfolio is granted to the City’s Finance Officer, who shall act in accordance with established procedures and internal controls for the operation of the investment portfolio consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Officer. The Finance Officer will be responsible for all transactions undertaken and will establish a system of controls to regulate the activities of subordinates.

## **Safekeeping and Custody**

### Delivery vs Payment (DVP)

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

### Safekeeping

Securities will be held by an independent third-party custodian selected by the City as evidenced by safekeeping receipts in the name of and for the benefit of the City. The custodian shall be a trust department with an account with a Federal Reserve Bank and authorized to act as trustee in North Carolina.

# City Council Goals and Objectives

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## Internal Controls

The Finance Officer shall establish a system of internal controls designed to prevent the loss of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

## **Suitable and Authorized Investments**

### Investment Types

Only the investments authorized by General Statute 159-30 will be permitted by this policy.

### Collateralization

In accordance with North Carolina General Statute 159-31(b) and the GFOA Recommended Practices on the Collateralization of Public Deposits, full collateralization will be required on deposits at interest and certificates of deposit. The City shall utilize the pooling method of collateralization and shall use only banking institutions approved by the North Carolina Local Government Commission.

## **Investment Parameters**

### Diversification

Investments of the City covered by this policy must be diversified to eliminate the risk of loss as a result of over concentration of securities in a specific maturity, a specific issuer, or a specific class of securities.

### Maximum Maturities

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase.

It is the City's intent to hold investments until maturity to ensure the return of all invested principal dollars. Changes in economic or market conditions may require the City to sell or trade securities prior to maturity.

## **Reporting**

Investment activity shall be reported to City Council during the quarterly financial report presentation by the City's Chief Financial Officer.

## **Exemption**

Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, funds shall be reinvested in securities which conform to this policy.

# Budget Guide

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The information in the previous sections focused on how City government plans to allocate resources for the upcoming fiscal year. Subsequent sections of the document describe the detail behind those plans as the budget is examined at consolidated, functional, departmental, divisional, and in some cases, line item levels.

The *Budget Guide* begins the transition from a broad budgetary plan to a specific working budget for City operations. Here, the reader will find explanations for much of the data that follows. This section also provides an opportunity to pause and examine the many facets of budgeting for which this document is merely the end product. What has changed in the City budget since last year? How and when does the process of allocating over \$100 million occur? How is the City's budget organized, and what do all those terms mean?

Because this section is intended to provide mostly background information, the reader is invited to exercise judgment when reading it. The veteran budget reader may wish to skip the *Budget Format: The Basics* pages because they describe the basic structure of the City's budget. However, the novice reader will find these pages a good starting point for developing an understanding of information in the rest of the document.

## **What's New in the Budget?**

Changes to the FY2023-2024 budget reflect the ongoing efforts by the City of Hickory to enhance the municipal environment through the ongoing Bond Projects while maintaining a high level of basic services. As with any new budget year, many changes are necessary to meet new community, financial, or legal obligations and mandates.

The most significant changes to the FY2023-2024 budget are:

- The City's property tax rate is recommended to decrease from 62.75 cents per \$100 value to a revenue neutral property tax rate of 45.5 cents per \$100 value.
- Water and Sewer volume rates are increasing by 10%, resulting in a \$2.35 per month increase on an average residential water and sewer bill.
- With increasing costs of Solid Waste operations from fuel and labor costs, the City is recommending a \$1 increase from \$26 to \$27\$ per month that will generate approximately \$145,000 in additional revenue to offset those costs. In addition, there is an \$800,000 transfer from the General Fund to replace multiple sanitation trucks to keep up with robust service levels expected by our residents.

There have been no other significant changes to the structure of the budget. However, each year the City of Hickory submits its budget document to the Government Finance Officers Association Distinguished Budget Awards Program for review. This year's budget contains minor revisions based on the comments of those professionals who reviewed last year's budget document.



# Budget Calendar

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- **December 7, 2022** Personnel expenditures projected by Human Resources
- **December 13, 2022** Budget Kick-off Meeting: **9:00 a.m. @ Council Chambers**
  - Distribute Initial Allocation Sheets
  - Distribute Budget Manual
- **December 14, 2022** External appropriation request letters sent out; also notices re: Board and Commission Workplan deadlines
- **December 14, 2022** Publish newspaper ad re: notification of call for External appropriation requests (due date January 21, 2023)
- **January 2-31, 2023** Departments may request to meet with the City Manager to make additional budget requests or to negotiate budgets
- **January 6, 2023** Worker's Compensation, Property and Liability Insurance by Risk Management
- **January 6, 2023** Debt projected by Finance (existing debt only)
- **January 6, 2023** City Council Financial Policy expenditures (transfers and contingency) projected by Budget Office
- **January 9, 2023** Departments to have **entered FY23-24 operational** budget requests into H.T.E. **Requests should balance to department's initial budget allocation.**
- **January 11, 2023** New position requests and reclassification requests due to Human Resources
- **January 16, 2023** Departments to have **entered FY23-24 capital** budget requests into H.T.E.
- **January 20, 2023** External Appropriation requests due
- **January 23, 2023** Fleet Management to review and make recommendations on new capital vehicle/equipment requests
- **January 23, 2023** City Engineer to review and make recommendations on capital construction requests
- **January 23, 2023** Information Technology to review and make recommendations on technology requests
- **January 31, 2023** Fee Schedule sent to departments for FY23-24 changes
- **February 3, 2023** Projected revenues entered into H.T.E. by Budget Office



# Budget Calendar

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- **February 3, 2023** Board & Commission workplans due
- **February 3, 2023** 5-year CIP to be entered into H.T.E. by departments
- **February 15, 2023** Performance Measurement pages sent to departments
- **February 28, 2023** Departments to return FY23-24 Fee Schedule changes to Budget Office
- **March 1, 2023** City Manager's Recommended Budget balanced
- **March 13, 2023** Performance Measurement pages due to Budget Office from departments
- **Week of April 10, 2023** Individual Management Briefings to City Council members re: FY23-24 budget
- **Weeks of May 1 & 8, 2023** Management Presentations to City Coworkers on FY23-24 budget
- **May 16, 2023** City Council Meeting:
  - Call for public hearing on Recommended Budget
- **May 19, 2023** Publish notice of public hearing and make a copy available to news media in the County
- **June 6, 2023** City Council Meeting:
  - Public Hearing on Recommended Budget
  - FY23-24 Budget approved on 1<sup>st</sup> reading
- **June 20, 2023** City Council Meeting:
  - FY23-24 Budget adopted on 2<sup>nd</sup> reading
- **June 23, 2023** Notification of tax rate sent to Tax Administrators in Burke, Caldwell and Catawba Counties
- **June 24, 2023** Notify organizations who requested appropriation of City funds of funding status
- **July 1, 2023** Fiscal Year 2023-2024 begins

# Budget Planning

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## Phase I (Initial Budget Planning Stage)

Budget planning for the FY2023-2024 Annual Budget began in Fall 2022. Recommendations were to continue with the budget development cycle and budget development calendar.

## Phase II

In December of 2022, projections of personnel expenditures and projections of risk management insurance expenditures were made for the upcoming fiscal year. This information is used to determine what new revenues would need to be produced to maintain current staffing levels and to maintain current risk management insurance policies. These projections are done early due to the significant dollar value involved with these items and the vital role they play in the overall budget development process.

## Phase III

In November and December of 2022, Budget staff held individual budget meetings with divisions/departments for preliminary discussions on significant budgetary needs for FY2023-2024 and to review the status of performance measures.

## Phase IV

In January 2023, there was a “Budget Kick-off Meeting” held with all departments. At this meeting, departments were given the FY2023-2024 budget manuals, FY2023-2024 budget calendar, FY2023-2024 personnel projections, FY2023-2024 risk insurance projections, instructions for performance measurement reporting, and initial operational target budgets for each department. In addition, debt projections were made by the Finance Department for FY2023-2024. All new personnel requests were due to the Human Resources Department by January 11, 2023.

## Phase V (Final Budget Planning Stage)

Annually, the Hickory City Council adopts their Goals and Objectives, which are derived from the Council-Staff Work Sessions. This document is used throughout the year as a guiding tool to ensure that the philosophy defined by the City Council is advocated and carried out by City departments as they deliver services to the public. Also, the Goals and Objectives guide City officials in budget development and planning for the upcoming and future budget years. In short, this policy document provides the structure by which the City of Hickory functions during the fiscal year.

Planning for the upcoming budget was completed at this point and the development of the FY2023-2024 recommended annual budget began.

## **How the Budget Process Works**

### Basis of Accounting and North Carolina Local Government and Fiscal Control Act

The City of Hickory uses the modified accrual method as the basis for budgeting and for accounting for all funds. This approach to accounting recognizes revenues when they become measurable and expenditures at the time the liability is incurred. All revenues and expenditures must be included in the annual budget ordinance or the appropriate capital and/or grant project ordinances. Any operational appropriations that are not expended or encumbered shall lapse. The North Carolina Local Government Budget and Fiscal Control Act (LGBFCA) controls how cities budget and spend money. The major effects of the LGBFCA on the budgetary process are as follows:

# Budget Planning

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## Budget Preparation Calendar

The LGBFCA establishes the dates by which each stage in the annual budget process is to be completed (G.S. 159-10 through 13). These dates are as follows:

Departmental requests must be submitted to the budget officer by April 30.

Revenue estimates must be submitted to the budget officer by April 30.

The recommended annual budget must be submitted to the Governing Board by June 1.

The Governing Board must adopt the annual budget ordinance by June 30.

## Budget Forms and Procedures

The Budget Officer must prescribe the forms and procedures for the departments to use in preparing their requests; in the words of G.S. 159-10, requests “shall be made in such form and detail, with such supporting information and justifications, as the Budget Officer may prescribe.” G.S. 159-10 also requires that a budget request show actual expenditures for the prior year, estimated ones in the current year, and requested ones for the coming budget year.

## Departmental Requests

G.S. 159-10 requires that the budget request for a department include revenues or fees that it will collect in the budget year.

## Recommended Budget

G.S. 159-11 requires that the Budget Officer’s recommended budget be balanced unless the Governing Board insists that an unbalanced budget be submitted. It is also required that the budget be submitted to the Governing Board with a budget message. G.S. 159-11(b) states that the message should include:

- A concise explanation of the governmental goals fixed by the budget for the budget year.
- Important features of the activities anticipated in the budget.
- The reasons for stated changes from the previous year in program goals, programs, and appropriation levels.
- Any major changes in fiscal policy.

## Board Review

Once the recommended budget is presented to the Governing Board, several general legal provisions apply to Board review and adoption of the budget ordinance.

- At least ten days must pass between the submission of the recommended budget and adoption of the budget ordinance.
- On the same day the budget is submitted to the Governing Board, the Budget Officer must file a copy of it in the City Clerk’s Office where it is made available to the public and press.
- The City Clerk must publish a notice that the budget has been delivered to the Governing Board and is available for public inspection. This advertisement must also note the time and place of the required public hearing.
- During the time between submission and adoption, the Governing Board may conduct its review at both regular and special meetings. At least one of these dates must be a public hearing at which any person who wishes to comment may.
- The Open Meeting Law (G.S. 143-318.9 through 318.18) applies to the budget review and adoption process.

# Budget Planning

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## Adoption of the Budget Ordinance

The budget ordinance must contain the appropriations, the estimated revenues, and the property tax *levy* as well as the property tax *rate*.

## Budget Adoption and Amendment

The operations conducted by the City are guided by the annual budget ordinance adopted in accordance with the provisions of the North Carolina Local Government Budget and Fiscal Control Act. The Budget Ordinance must be balanced and adopted prior to the beginning of the Fiscal Year. Adoption of the budget by City Council establishes the legal authority to incur expenditures in the ensuing fiscal year.

After the adoption of the Budget Ordinance, the City Manager (Budget Officer) is authorized to transfer appropriations between line-item expenditures within a department. He may also transfer amounts not to exceed \$250,000 between functional areas, including contingency appropriations, within the same fund. All other budget amendments must be approved by the City Council through legislative action. All amendments affecting the original budget ordinance not within the scope of the authority granted to the City Manager require two readings for City Council approval

# Budget Format: The Basics

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Comprehending the Annual City Budget requires the reader to understand the differences between two perspectives of the same budget: the *functional* perspective, by which the City is managed, and the *accounting* perspective, by which City finances are accounted for. When City Council adopts or amends a budget, it is allocating resources into functional areas (as listed in the *Budget Ordinance*). By managing a budget organized around these major functions, City Council can better direct how City resources are applied.

City Council manages the budget at the broadest level. Council policy, statutes, and financial standards mandate the City's accounting system parallel the functions, but at a much more detailed level. The accounting structure of the City is organized on the basis of account groupings called *funds*, each of which is considered a separate accounting entity. Government monies are allocated to and accounted for in individual funds based upon the purposes for which they are earmarked, and the means by which spending activities are managed. The budgeted monies (i.e., revenues) must always equal the proposed expenditures within each fund. This segregation of financial activity ensures that certain funds, which are restricted in purpose, are explicitly spent on the appropriate government function.

A fund is one of two types: an annual fund or a project fund. Council appropriates operational funds on an annual basis and operational funding lapses at the close of the year. Project funds continue for the life of each specific capital or grant project with appropriations continuing until the project is finished. The City of Hickory's Annual Budget Ordinance contains all operational appropriations and consists of nine funds: the General Fund, Water and Sewer Fund, Sludge Fund, Airport Fund, Stormwater Fund, Fleet Maintenance Fund, Insurance Fund, Solid Waste Fund, and Capital Reserve Fund. The City adopts all project budgets as Capital or Grant Project Ordinances, which are described in the *Capital Improvements/Grant Projects* section of this document.

An operational fund's revenue sources are a key distinction for two types of operating funds – *General Fund* and *Enterprise Funds*. All city budgets have at least one fund, the *General Fund*, which is supported by a variety of revenue sources, including the most substantial, the ad valorem property tax levy. The *General Fund* contains those departments and divisions which do not produce enough revenue to support their operations. The best examples of operations housed in the *General Fund* include Police, Fire, Library, Recreation, Planning, and Administration.

Like most cities, Hickory has another type of fund called *Enterprise Funds*, which exist on the market viability of the services provided in that fund. The Water and Sewer Fund, the Solid Waste Fund and the Stormwater Fund are *Enterprise Funds* that rely almost solely on user fees generated from the services they provide. The Sludge Compost Fund is an enterprise fund financed through intergovernmental agreements of participation by Catawba County and the cities of Conover and Hickory. The Airport Fund exists with funding from user fees, intergovernmental agreements, and grant funding.

Although funding sources can vary, an *Enterprise Fund* is expected to generate enough revenue to equal projected expenditures.

Finally, Hickory also utilizes *Internal Service Funds*. These funds account for activities that serve other departments or parts of the same government, rather than the public. Hickory maintains two *Internal Service Funds* including the Fleet Maintenance Fund and the Insurance Fund. In addition, Hickory has two *Special Revenue Funds* which are the General Capital Reserve Fund and the Water and Sewer Capital Reserve Fund. Even though there is no statutory obligation to include *Internal Service Funds* or the *Special Revenue Funds* in the Annual Budget, Hickory does include them in order to more fully reveal the City's finances. We have established that budgets, while managed by functions, are also managed as complex accounting

# Budget Format: The Basics

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groupings called funds, which are either operational or project oriented in nature. Operational funds can be enterprise funds depending on the fund's revenue characteristics.

Knowing these key principles is important, but consider this: City employees do not work for funds, they work for departments and divisions. The day-to-day operations of City government are conducted through 45 departments and divisions.

Here is the most important question for budget understanding: how do functions, funds, and departments (divisions) interrelate? The simple answer is that departments are subsections of both functions and funds. Each department is managed by its functional duties and its financial distinctions. For example, the Fire Department is part of the *Public Safety* function, and is included in the *General Fund* because it is not a self-supporting entity (enterprise fund). Each department belongs to one function and one fund. A fund can include any number of departments, including departments of different functions. A function can include departments from many funds. Managing the aggregate of all departments in a fund allows staff to measure the financial health of specific City endeavors, while managing the aggregate of all departments in functions allows City Council to consolidate the myriad of City services into clearer segments. When Council appropriates money for the Fire Department and the Recreation Department, it is addressing needs in two functional areas, *Public Safety* and *Culture and Recreation*, but it is allocating the resources of one fund, the General Fund.

## About the Document Presentation

All combinations of departments and divisions, funds, and functions appear in this budget document. The presentation takes the reader from discussions of the broadest overview in the budget document (*Consolidated Budget Summary*) to discussions of the most specific departmental review (*General Fund, Enterprise Funds*). The document places a distinct emphasis on the City's departments and divisions because these pages represent the plans of the men and women who are charged with the duty of providing services to citizens. Following the City budget from this basic level back up through funds, functions, and consolidated totals can help the reader associate services to the respective budget data.

The departmental presentations are summaries of all expenditures and revenues associated with each department's activities. One of the most daunting tasks of preparing a budget document is deciding how to present the hundreds of individual budget codes (line-items) in a format that promotes the decision-making process. Every account code is relevant to the process. Unfortunately, it is not possible to effectively present literally hundreds of account codes.

Instead, this document presents budget data in a summary form that shows groups of like data by category (e.g., Personnel, Operations, Capital). Presenting the City of Hickory's budget in this style facilitates comparisons between groups of data, making the overall trends more discernible to the reader. Acknowledging that the reader does not have access to every account code, the Budget Highlights attempt to explain key departmental changes by relating the "numbers behind the numbers" to budget summaries. A second document that presents the complete listing of all City of Hickory budget codes only is also available through the City of Hickory's Budget Office (828-327-7412) if further detail is needed.

# Budget Format: The Basics

In the *General Fund* and *Enterprise Funds* sections the reader will find the cornerstones of the City: the departments and the divisions. Here is where narrative descriptions highlight what each department accomplished in the year that is ending, as well as the goals and objectives for the upcoming budget year. Coupled with this is a presentation of the resources budgeted for the department. The purpose is to show the evolution of City services as of the start of the new fiscal year. Using an expenditure table as an example, the presentation of the data is as follows:

Audited data from the last completed fiscal year.	Budget for each category as adopted for the current fiscal year. The fiscal year begins July 1 of each calendar year.			
Expenditure by Type	2015-2016 Actual	2016-2017 Budgeted	2017-2018 Budgeted	Percent Change
Personnel	6,548,258	6,674,652	6,844,130	3%
Operations	799,871	771,684	782,356	1%
Capital	99,567	256,680	263,750	3%
Pro Rata Reimbursement	8,804	9,331	9,331	0%
<b>Expenditure Total</b>	<b>7,456,500</b>	<b>7,712,347</b>	<b>7,899,567</b>	<b>2%</b>
<b>Per Capita</b>	<b>191</b>	<b>198</b>	<b>202</b>	

The budget for the new fiscal year which begins on July 1.

The percentage of change from budget to budget.

Please note that all tables in the budget present the same three-year format. Since the budget data is in summary form (as discussed earlier), we should understand what the summaries constitute.

Includes salaries, wages, and fringe benefits (FICA, insurance, et al.)	All expenditures not directly related to Personnel, Capital, or Pro-Rata Admin. Reimbursement. Includes everything from postage to traffic signs.			
Expenditure by Type	2015-2016 Actual	2016-2017 Budgeted	2017-2018 Budgeted	Percent Change
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<b>Per Capita</b>	<b>191</b>	<b>198</b>	<b>202</b>	

Adjustments for the value of services provided or received to or from other City departments. (Example: The cost for the Human Resources Department to recruit for a vacancy in another department.)

Includes expenditures for land, buildings, equipment, vehicles, and other expenditures exceeding \$500, with a life expectancy of more than 1 year.



# Budget Format: The Specifics

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## GENERAL FUND

The **General Fund** is the general operating fund of the City and is used to account for all revenues and expenditures except those required to be accounted for in another fund. This fund is established at the inception of a government and exists throughout the government's life.

### General Fund Revenues

- **Ad Valorem Taxes** - Collections of current and prior year property tax levies, refunds, late listing penalties, and interest on delinquent taxes.
- **Other Taxes** - Three sales tax allocations (Article 39 one cent, Article 40 one-half cent and Article 42 one-half cent), utility franchise tax, telecommunications tax, \$5 vehicle fee, and a local option hotel/motel occupancy tax levied for tourism development.
- **Unrestricted Intergovernmental** - Beer and wine tax, payments in lieu of taxes, and traffic control revenue received from NCDOT.
- **Restricted Intergovernmental** - Federal, state, and local assistance restricted for specific uses including the Powell Bill street allocation, North Carolina Department of Transportation (NCDOT) street maintenance, various public safety and culture/recreation grants, Catawba County fire district tax, and Catawba County's participation in the provision of Hickory library services.
- **Licenses and Permits** - Revenues generated for privilege beer and wine licenses, and taxi permits.
- **Sales and Services** - User fees charged for the provision of various city services including, but not limited to: parking rentals, cemetery lot sales, police and fire charges and fines, cable franchise fees, and revenues generated for recreation and library services.
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance.
- **Miscellaneous** - Includes unanticipated revenues such as donations, discounts earned, the sale of capital assets, and insurance reimbursements.
- **Other Financing Sources** - Proceeds from the issuance of bonds, installment purchase contracts, or lease purchase agreements, transfers from capital project funds, or fund balance appropriated.

### General Fund Expenditures

- **General Government** - Expenditures for the City Council and Administration consisting of the City Manager's Office, Budget Office, Risk Management, Human Resources, Finance, City Clerk, Communications, Information Technology, Legal, Public Buildings, District Court Building, Union Square, Engineering, Central Services, and Landscape Services, as well as various special appropriations.
- **Public Safety** - Expenditures for the Police Department, the Fire Department, the Hickory Rural District, and various special appropriations.
- **Transportation** - Expenditures for the Traffic and Street Divisions of Public Services.
- **Economic and Community Development** - Expenditures for the Planning and Development Department; Economic Development Incentives, and several special appropriations.

# Budget Format: The Specifics

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- **Culture and Recreation** - Expenditures for the Recreation Department, Parks Maintenance, L.P. Frans Stadium, Hickory Public Library, and various special appropriations.
- **Other Financing Uses** – Money transferred to other funds to subsidize and/or finance activity required to be accounted for in another fund.
- **Debt Service** - Expenditures for the required repayment of debt principal and interest incurred for the construction of large capital projects or major capital purchases.
- **Contingency** - Budgetary reserve set aside for emergencies or unforeseen expenditures.

## ENTERPRISE FUNDS

The **Water and Sewer, Stormwater, Sludge Compost, Airport, and Solid Waste** Enterprise Funds combine to account for proprietary fund activity. These funds are financed and operated in a manner similar to private business enterprises, where the intent of the Governing Body is to recover costs of providing the service through user charges. These funds provide water and sewer service to over 97,000 customers inside and outside the city limits, regulate stormwater runoff, produce a high quality compost material, provide air transportation services, and provide solid waste services, respectively.

### Water and Sewer Fund Revenues

- **Restricted Intergovernmental** - City of Conover repayment portion of debt service for Hickory's Water Treatment Plant, Catawba County's portion of the Hickory Catawba Wastewater Treatment Plant, City of Claremont and Town of Hildebran operations maintenance contracts, and the Town of Maiden's buy in to the City's Water Plant.
- **Sales and Services** - Initial tap fees and user fees charged for the provision of water and sewer service.
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance.
- **Miscellaneous** - Plant capacity fees charged with water or sewer taps and any unanticipated revenues.
- **Other Financing Sources** - Proceeds from the issuance of bonds, installment purchase contracts, or lease purchase agreements, transfers from capital project funds, or fund balance appropriated.

### Water and Sewer Fund Expenditures

- **Environmental Protection** - Expenditures for Administration, Collection Division, the Henry Fork Wastewater Treatment Plant, the Northeast Wastewater Treatment Plant, the Hickory-Catawba Wastewater Treatment Plant, the Water Treatment Plant, the Lab Division, and the Distribution Division of the Public Services Department, and special appropriations.
- **Other Financing Uses** – Money transferred to other funds to subsidize and/or finance activity required to be accounted for in another fund.
- **Debt Service** - Expenditures for the required repayment of debt principal and interest incurred for the construction of large capital projects or major capital purchases.

# Budget Format: The Specifics

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- **Contingency** - Budgetary reserve set aside for emergencies or unforeseen expenditures.

## Stormwater Fund Revenues

- **Other Financing Sources** - Transfers from other funds, or fund balance appropriated.

## Stormwater Fund Expenditures

- **Environmental Protection** - Expenditures for Administration/Engineering, Stormwater - Transportation Division, Stormwater - Solid Waste Division, and the Stormwater - Landscape Division.

## Sludge Composting Fund Revenues

- **Restricted Intergovernmental** - Intergovernmental funding for operational expenses from the City of Hickory for 84.5% and the City of Conover for 15.5%.

## Sludge Composting Fund Expenditures

- **Environmental Protection** - Expenditures for contracted services with a private contractor to operate the Sludge Composting Facility.

## Airport Fund Revenues

- **Sales and Services** - User fees charged for the provision of various Airport services such as Airport property rentals.
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance.
- **Restricted Intergovernmental Revenues** – Contributions from Catawba and Burke Counties for tower operations.

## Airport Fund Expenditures

- **Transportation** - Expenditures for Airport operations.
- **Contingency** - Budgetary reserve set aside for emergencies or unforeseen expenditures.

## Solid Waste Fund Revenues

- **Other Taxes** - Solid Waste Excise Tax revenue received from the State of North Carolina.
- **Sales and Services** - User fees charged for the provision of various solid waste collection services including: curbside, recycling center, cardboard, white goods, yard waste, tipping fees for the county landfill and commercial bulk services.
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance.

# Budget Format: The Specifics

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- **Miscellaneous** - Unanticipated revenues.
- **Other Financing Sources** – Transfer from Capital Reserve Fund towards replacement truck, and an appropriation from the Solid Waste Fund Balance for operational support.

## **Solid Waste Fund Expenditures**

- **Environmental Protection** - Expenditures for Recycling Services, Residential Sanitation, Commercial Bulk Services, contracted services with Republic, and Catawba County landfill tipping fees.
- **Debt Service** - Expenditures for the required repayment of debt principal and interest incurred for major capital purchases.
- **Contingency** - Budgetary reserve set aside for emergencies or unforeseen expenditures.

## **INTERNAL SERVICE FUNDS**

The **Fleet Maintenance Fund**, **Insurance Fund**, and **Capital Reserve Fund** are internal service funds that have been set up in order to more accurately account for expenditures for vehicle and equipment maintenance, insurance costs and capital reserves. This enables the City to better grasp the true cost of providing these internal services on the departmental and divisional levels.

## **Fleet Maintenance Fund Revenues**

- **Sales and Services** – Charges for vehicle and equipment repairs, which are charged to individual departments.

## **Fleet Maintenance Fund Expenditures**

- **General Government** – Expenditures for vehicle and equipment maintenance and repair.

## **Insurance Fund Revenues**

- **Sales and Services** – Charges for health, dental, workers compensation, property, casualty, and liability insurance. These revenues are derived from charges to individual departments.
- **Investment Earnings** - Interest earned on the investment of the fund's idle cash balance.
- **Other Financing Sources** – Support from Fund Balance allocation.

## **Insurance Fund Expenditures**

- **General Government** – Expenditures for health, dental, worker's compensation, property, casualty and Liability of insurance.

# Budget Format: The Specifics

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## Capital Reserve Fund Revenues

- **Other Financing Sources** - Transfer from the General Fund and Water & Sewer Fund for future capital projects or purchases, and an appropriation from the Capital Reserve Fund Balance towards capital expenditures during FY2023-2024.

## Capital Reserve Fund Expenditures

- **General Government** – Money received from the General Fund into Capital Reserve, to be used for future general capital expenditures.
- **Environmental Protection** – Money received from the Water and Sewer Fund into Capital Reserve, to be used for future water and sewer capital expenditures
- **Other Financing Uses** – Money transferred to other funds for planned capital projects or capital purchases during the current Fiscal Year.

## Water and Sewer Capital Reserve Fund Revenues

- **Other Financing Sources** – Transfer of Capacity Charges from the Water & Sewer Fund for future capital projects, and an appropriation from the Capital Reserve Fund Balance towards capital expenditures during the current Fiscal Year.

## Water and Sewer Capital Reserve Fund Expenditures

- **Other Financing Uses** – Money transferred to the Water and Sewer Fund for planned capital projects or capital purchases specifically with Capacity Charge revenues during the current Fiscal Year.

# Consolidated Budget Summary



The *Consolidated Budget Summary* section begins the budget presentation by examining the budget at the broadest level. Here, the assumptions and trends that helped determine the basic framework described in the *Budget Guide* section are presented. Later sections will provide further detail about the individual funds, departments, and divisions.

The discussion here begins with revenues, which are followed by financial totals, functional trends, fund balance projections, and staffing totals. Revenues must fully support expenditures in a balanced budget, so no budget can begin without an understanding of the resources available. Certain methods, techniques and approaches have been used to aid the City in estimating future revenues. By analyzing current trends and the underlying forces, the City can make realistic projections of revenues.

## Revenue Assumptions

The most important aspect to understand regarding how revenues are budgeted in the City of Hickory's Annual Budget is that for most of the City's major sources of revenue, all that will be budgeted for FY2023-2024 is what we project to receive by the end of FY2022-2023. This conservative approach to budgeting helps ensure that budget projections are met, helps to guard against unanticipated economic downturns and, in most years, allows us to place funds into Fund Balance at year end. City Management believes that budgeting unrealized increases in revenues for an upcoming fiscal year, especially with major sources of revenue, is risky at best and could be counter-productive in the end.

The following are other assumptions concerning some of our most significant sources of revenue that are forecast in the City of Hickory's FY2023-2024 Annual Budget.

## REVENUES

## FORECAST RATIONALE

### AD VALOREM TAXES

#### Ad Valorem Taxes

The City contracts with Catawba County to assess and collect property taxes. By the beginning of FY2023-2024, Hickory's assessed property value is projected at \$8,077,966,060.

The General Fund's property tax rate will be \$.4550 per one hundred dollars (\$100) valuation of property with an estimated collection rate of 99.15%. The total Ad Valorem Tax category of revenues is budgeted at \$37,100,000 for FY2023-2024. The Ad Valorem category of revenue includes: current year's collections, prior year's collections, penalties and interest, and refunds.

### OTHER TAXES

#### Sales Tax

The State collects and distributes the proceeds from the locally levied tax on retail sales. The Article 39 original one-cent local option sales tax is distributed on a point-of-sale basis. Article 40, a one-half of one percent rate and Article 42, also a one-half of one percent rate, are revenue placed in a statewide pool and then distributed state-wide on a per capita basis.

#### Utility Franchise Tax

The City shares in the sales tax levied by the State on piped natural gas and electricity sales. This tax is collected by the State and then distributed quarterly through a predetermined formula to North Carolina municipalities. This revenue is highly sensitive to the weather. Cool summers and mild winters can lead to a year with little or no growth in

# Consolidated Budget Summary

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receipts from this tax. Any annexations of industrial or other facilities that are heavy users of utility services could also create growth in this source of revenue. For FY2023-2024 we project the same amount as budgeted in FY2022-2023.

## Telecommunications Tax

This tax was previously a part of the Utility Franchise Tax, but was broken out as a separate tax received from the State of North Carolina in FY2003-2004. The Telecommunications Tax is levied by the State on all telephone service. Each city's share of this is tax based on the actual receipts from telephone and cable television service within their municipal boundaries during the fiscal year.

## UNRESTRICTED INTERGOVERNMENTAL REVENUES

### Beer and Wine Tax

Cities share in the sales tax revenue from the sale of both beer and wine, based on population.

### Traffic Control Revenue

The City of Hickory, through a cooperative agreement, maintains the NCDOT's traffic control systems located within the city limits of Hickory. The City receives annual reimbursements for this service from the NCDOT through the form of Traffic Control Revenue. This revenue may vary from year to year depending upon annual maintenance schedules and scheduled projects, and is projected based on what the City's Traffic Division anticipates.

## RESTRICTED INTERGOVERNMENTAL REVENUES

### Powell Bill

Gasoline sales taxes are shared by the State with its municipalities through a legislative act known as the Powell Bill. Revenue distribution projections to local governments are based on a formula that combines both "per capita" values and "per mile" values. Hickory has had little growth in its population or the miles of streets it maintains.

### Sludge Compost

These revenues are based on the percentage of participation for the fixed contract to operate the Sludge Compost Facility by Veolia Water. The percentage of participation is: City of Hickory - 85% and City of Conover - 15%. Variable costs of operations are charged by percentage of use by each local government.

## LICENSES AND PERMITS

Privilege Licenses were previously a significant source of revenue for the City but were repealed in FY2015-2016.



# Consolidated Budget Summary

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## SALES AND SERVICES

### Parking Rentals

The City owns and operates eleven (11) parking lots in the downtown area. Some are unrestricted lots and some are leased lots. Revenue received from this enterprise, as well as parking tickets issued, remains relatively constant from year to year and is transferred to the City's Capital Reserve Parking Fund for future parking projects, after the cost of collection/enforcement is deducted.

### Recycling Revenue

Revenue received for recycling services. These charges are based in part on costs for collection, preparation, and transportation of recycling material to market.

### Water and Sewer Charges

Water and sewer rates will see a 10% increase in volume charges with the FY2023-2024 Annual Budget over the FY2022-2023 rates. This increase will help to keep the Water and Sewer Fund 100% self-supporting.

### Water and Sewer Taps

The City charges fees to customers for connecting to the City's water or sewer system. The FY2023-2024 tap fee revenue is projected to remain flat compared to the FY2022-2023 budgeted amount.

## INVESTMENT EARNINGS

### Investment Earnings

Investment earnings are conservatively projected on the basis of average available cash balances at an anticipated average rate of return of 1%.

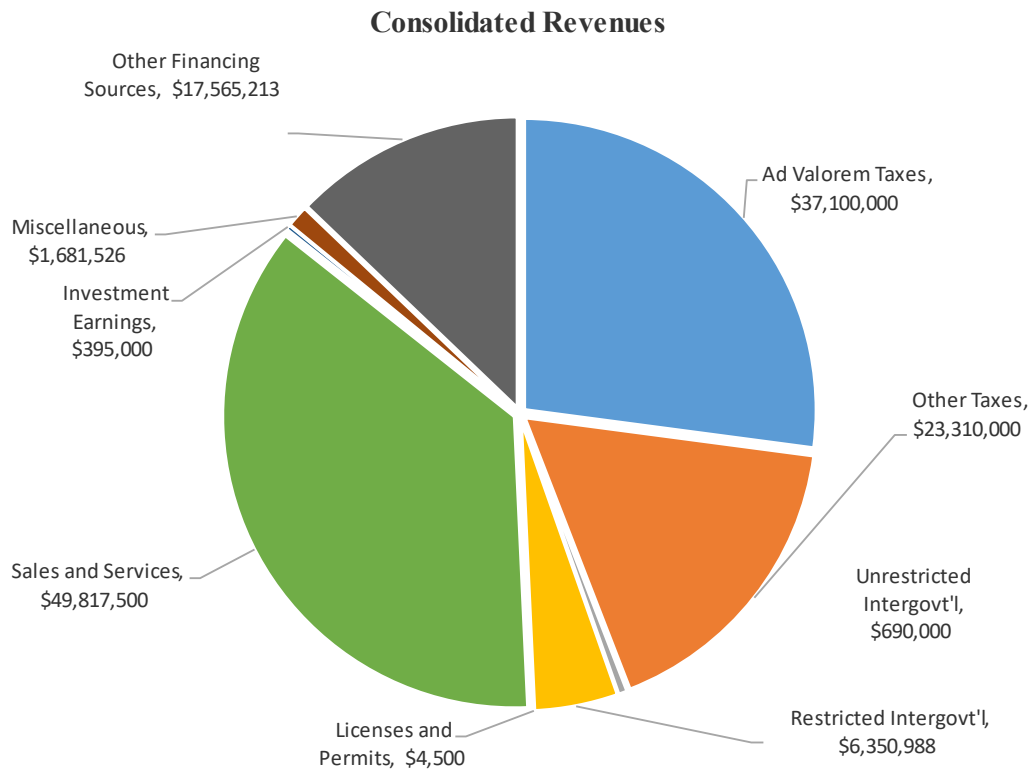
## FUND BALANCE/ RETAINED EARNINGS

### Fund Balance Appropriated

Fund Balance/Retained Earnings appropriated generally does not exceed an amount that management can reasonably expect to save during the year.

# Consolidated Budget Summary

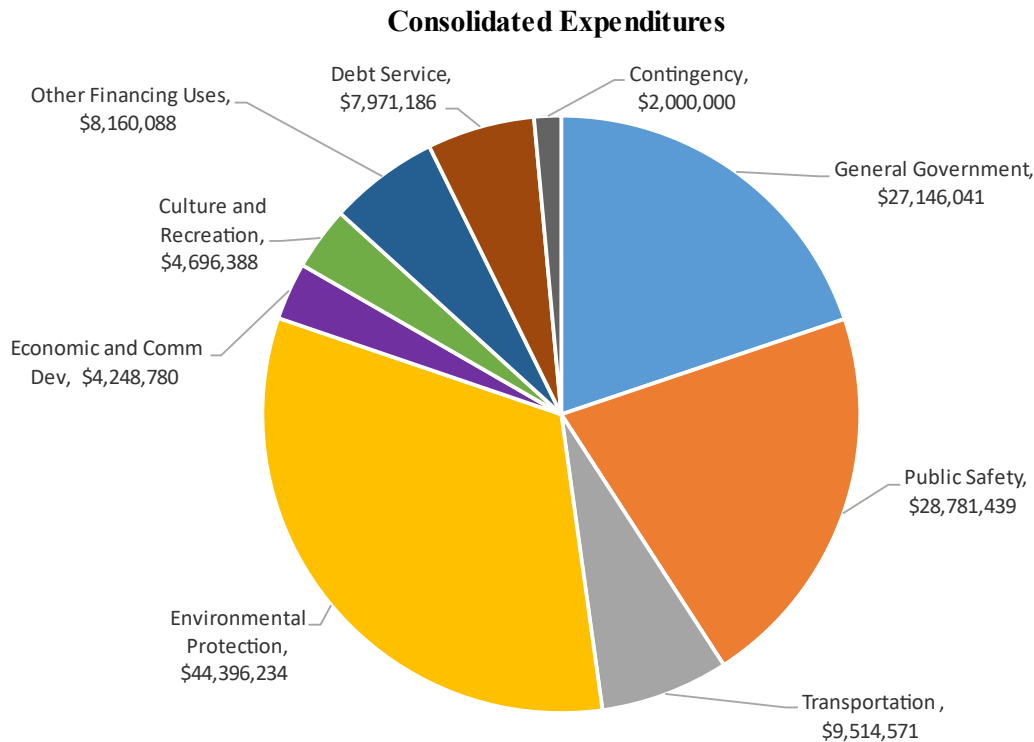
This consolidated revenue graph and table contain all funds, including the internal service funds (Fleet Maintenance and Insurance) and the Capital Reserve Fund. Insurance and fleet costs are budgeted in each of the departments/divisions to better capture the actual cost to provide services. The Fleet Maintenance Fund and Insurance Fund then use budget revenues from each of these departments and the expenditures associated with the actual costs to provide these services. This inflates the "Sales and Services" revenue source but omitting these funds from this section would not give the reader a comprehensive view of the City's finances.



Consolidated Revenues	2021-2022 Actual	2022-2023 Budgeted	2023-2024 Budgeted	Percent Change
Ad Valorem Taxes	34,290,070	34,321,707	37,100,000	8.1%
Other Taxes	22,068,923	20,635,321	23,310,000	13.0%
Unrestricted Intergovernmental	680,548	752,250	690,000	-8.3%
Restricted Intergovernmental	6,704,378	5,896,727	6,350,988	7.7%
Licenses and Permits	4,590	4,500	4,500	0.0%
Sales and Services	48,719,835	46,045,398	49,817,500	8.2%
Investment Earnings	(1,406,554)	187,500	395,000	110.7%
Miscellaneous	3,242,607	993,000	1,681,526	69.3%
Other Financing Sources	112,746,747	17,369,765	17,565,213	1.1%
<b>Revenue Total</b>	<b>227,051,144</b>	<b>126,206,168</b>	<b>136,914,727</b>	<b>8.5%</b>
<b>Per Capita</b>	<b>5,547.98</b>	<b>3,047.94</b>	<b>3,141.83</b>	

# Consolidated Budget Summary

This consolidated expenditure graph and table are broken down by functional area and include expenses in all funds, including the internal service funds (Fleet Maintenance and Insurance) and the Capital Reserve Fund. As was explained on the previous page, insurance and fleet costs are budgeted in each of the departments/divisions in order to better capture the actual cost to provide services. The Fleet Maintenance Fund and Insurance Fund then budget revenues from each of these departments and the expenditures associated with the actual costs to provide these services. This inflates the "General Government" expenditure, but again, omitting these funds from this section would not give the reader a comprehensive view of the City's finances.



Consolidated Expenditures	2021-2022 Actual	2022-2023 Budgeted	2023-2024 Budgeted	Percent Change
General Government	26,313,016	24,095,936	27,146,041	12.7%
Public Safety	27,449,043	28,390,638	28,781,439	1.4%
Transportation	8,173,901	8,675,092	9,514,571	9.7%
Environmental Protection	34,355,117	40,983,833	44,396,234	8.3%
Economic and Community Develop.	6,263,514	4,115,737	4,248,780	3.2%
Culture and Recreation	4,452,096	4,400,488	4,696,388	6.7%
Other Financing Uses	23,005,083	6,218,842	8,160,088	31.2%
Debt Service	4,179,802	7,925,602	7,971,186	0.6%
Contingency	930,000	1,400,000	2,000,000	42.9%
<b>Expenditure Total</b>	<b>135,121,572</b>	<b>126,206,168</b>	<b>136,914,727</b>	<b>8.5%</b>

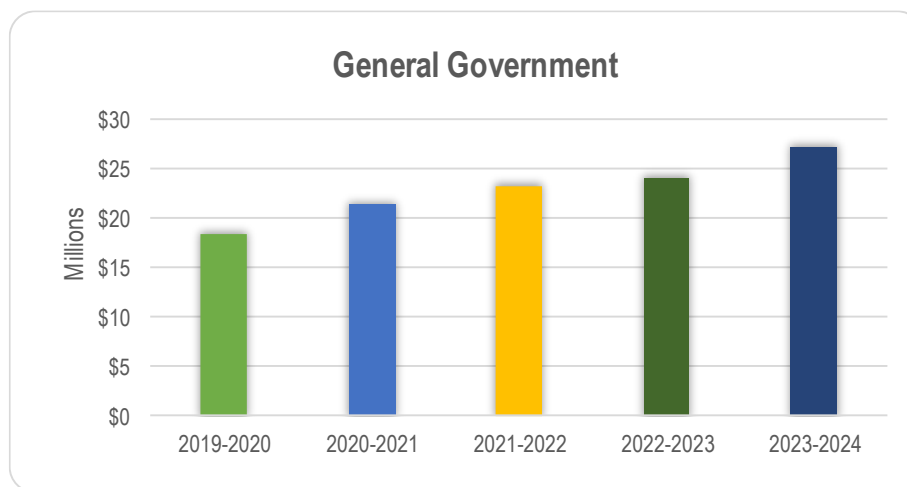
# Consolidated Budget Summary



## Functional Expenditure Trend Summary

While the City of Hickory's budget consists of approximately 45 individual departments and divisions, each conducts the business of City government as a part of a functional area. For example, the Police Department is part of the functional area known as Public Safety, as is the Fire Department. Both share the common theme of protecting citizens. Grouping activities by these functions (themes), allows the decision-making process to be managed at broader, more comprehensive levels.

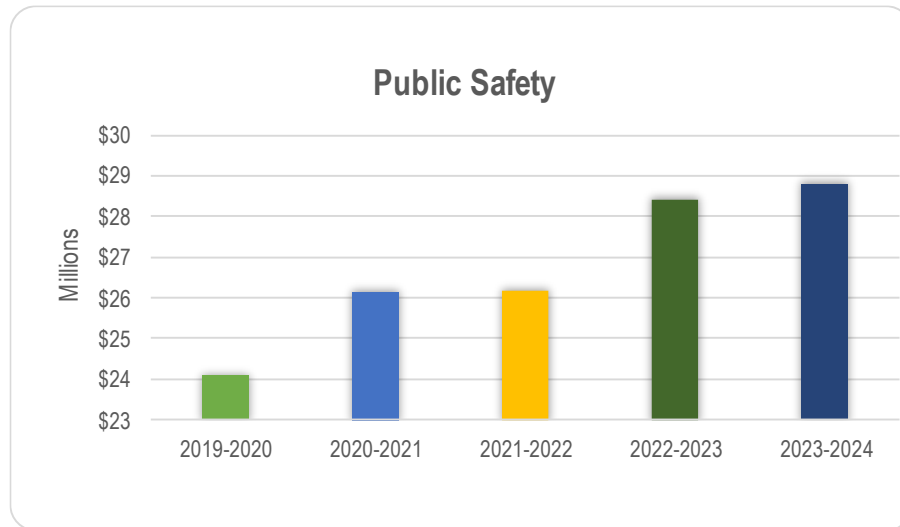
The following is a presentation of the trends for the major functions in the City's budget. By examining the long-term and short-term progressions of each, the overall dynamics of Hickory's budget can be better understood. A five-year graph shows the function as it progresses from the FY2019-2020 budget; a table compares the budget expenditure categories for the current budget proposal. The presentation references key departments, which are discussed in depth in either the General Fund, Enterprise Funds, or Other Funds sections.



General Government	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	18,384,078	21,336,524	23,223,468	24,095,936	27,146,041
Dollar Change	1,184,463	2,952,446	1,886,944	872,468	3,050,105
Percent Change	6.9%	16.1%	8.8%	3.8%	12.7%

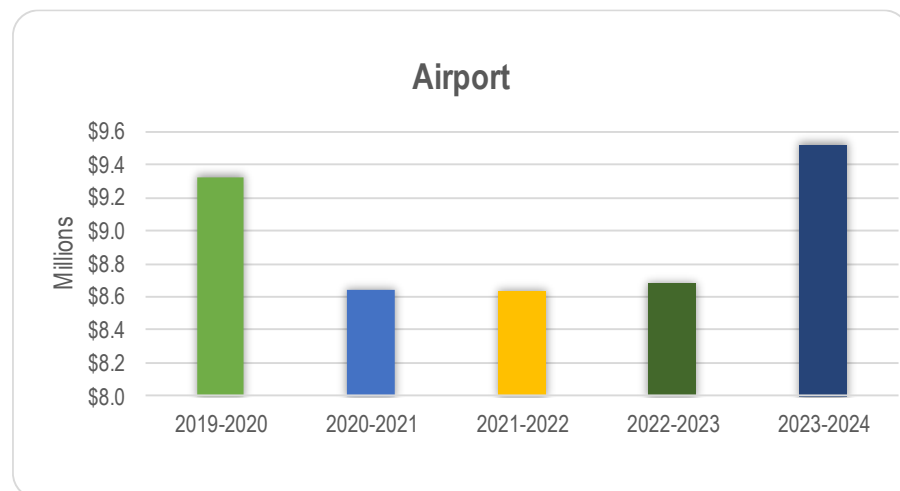
**Departments/Divisions:** Governing Body, City Manager's Office, Budget Office, Finance, Legal, Risk Management, City Clerk, Information Technology, Human Resources, Communications Office, Building Services, Engineering, Public Buildings/City Hall, District Court, Fleet Maintenance and Landscape Services.

# Consolidated Budget Summary



Public Safety	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	24,087,158	26,151,741	26,177,876	28,390,638	28,781,439
Dollar Change	(549,267)	2,064,583	26,135	2,212,762	390,801
Percent Change	-2.2%	8.6%	0.1%	8.5%	1.4%

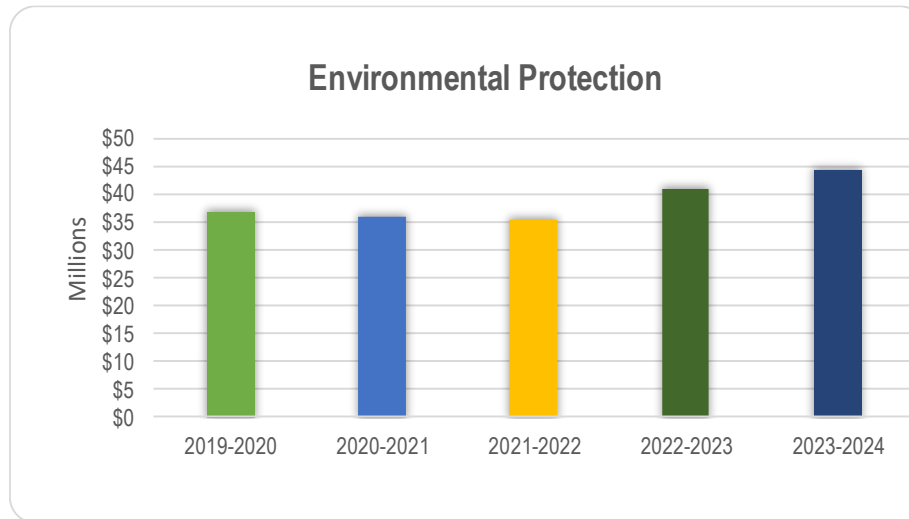
**Departments/Divisions:** Police, Fire and Volunteer Fire Departments



Airport	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	9,324,221	8,639,098	8,633,072	8,675,092	9,514,571
Dollar Change	297,245	(685,123)	(6,026)	42,020	839,479
Percent Change	3.3%	-7.3%	-0.1%	0.5%	9.7%

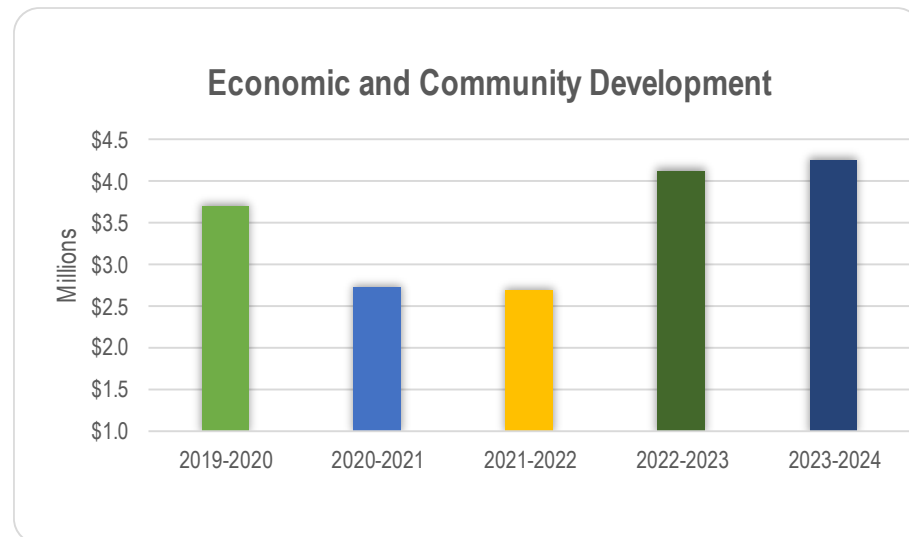
**Departments/Divisions:** Airport, FBO, Street and Traffic

# Consolidated Budget Summary



Environmental Protection	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	36,752,517	35,907,970	35,337,866	40,983,833	44,396,234
Dollar Change	4,574,039	(844,547)	(570,104)	5,645,967	3,412,401
Percent Change	14.2%	-2.3%	-1.6%	16.0%	8.3%

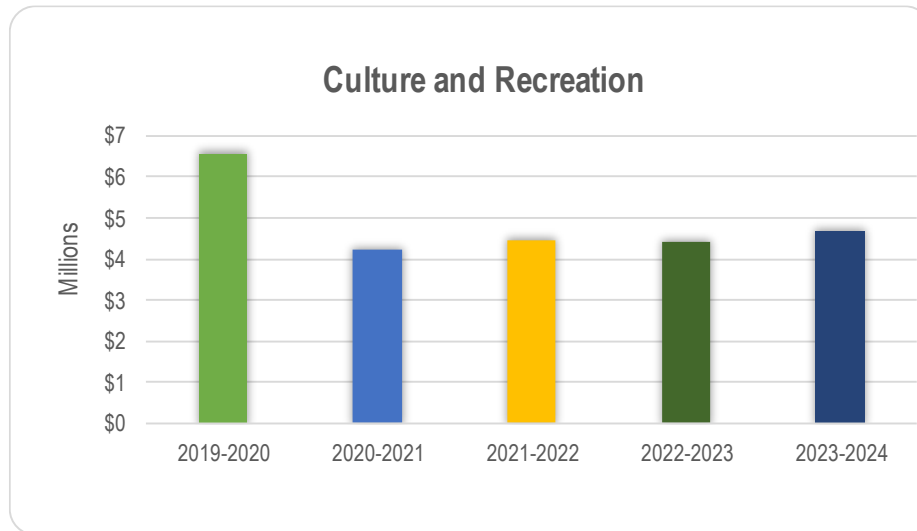
**Departments/Divisions:** Public Utilities (Water and Sewer), Stormwater, Residential Sanitation, Commercial Bulk Services, Recycling and Sludge Composting Facility



Economic/Community Dev.	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	3,691,666	2,732,844	2,698,807	4,115,737	4,248,780
Dollar Change	142	(958,822)	(34,037)	1,416,930	133,043
Percent Change	4.0%	-26.0%	-1.2%	52.5%	3.2%

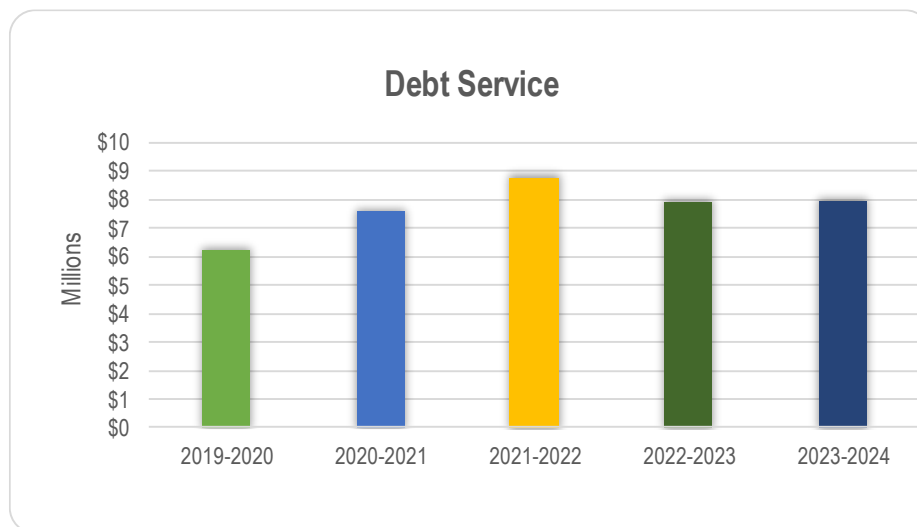
**Departments/Divisions:** Tourism Development Authority, Special Appropriations (General Fund) and Planning

# Consolidated Budget Summary



Culture and Recreation	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	6,558,575	4,245,027	4,448,232	4,400,488	4,696,388
Dollar Change	(54,955)	(2,313,548)	203,205	(47,744)	295,900
Percent Change	-0.8%	-35.3%	4.8%	-1.1%	6.7%

**Departments/Divisions:** Parks and Recreation, Parks Maintenance, L.P. Frans Stadium and Library

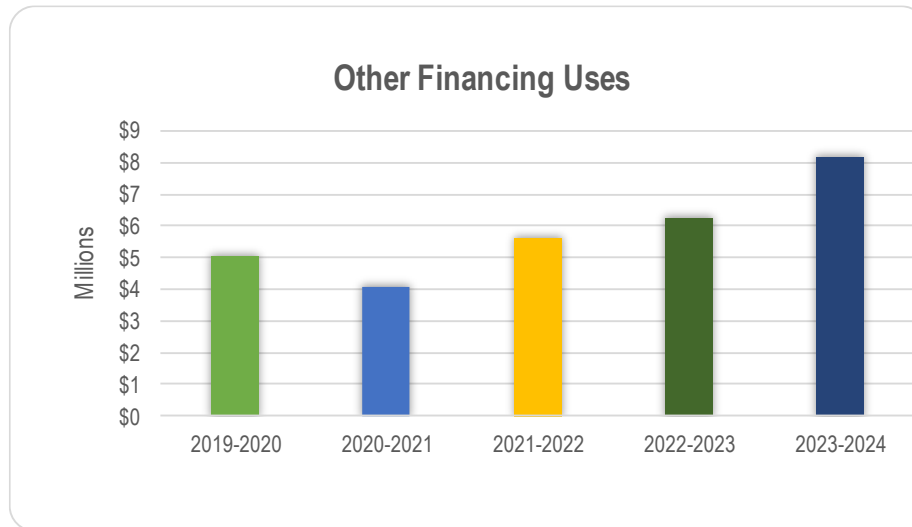


Debt Service	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	6,240,452	7,580,479	8,789,371	7,925,602	7,971,186
Dollar Change	1,622,641	1,340,027	1,208,892	(863,769)	45,584
Percent Change	35.1%	21.5%	15.9%	-9.8%	0.6%

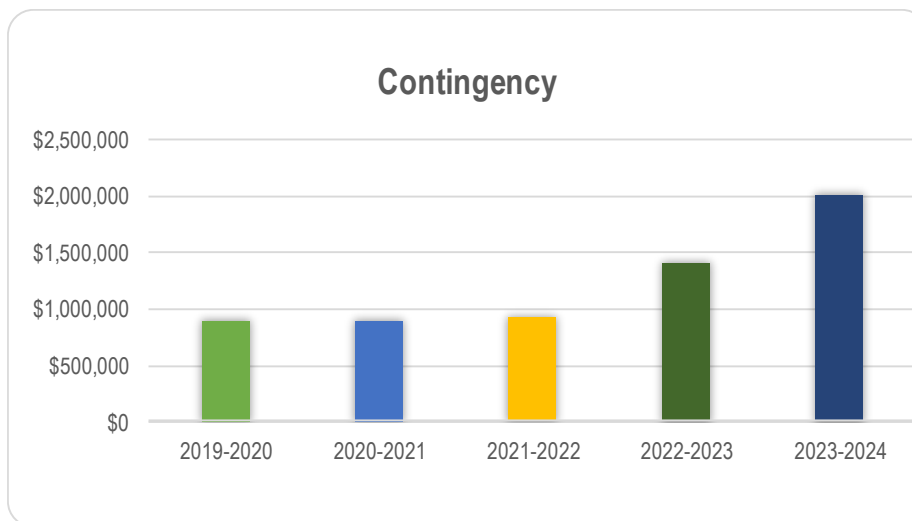
**Funds with Debt:** General Fund, Water and Sewer Fund, and Solid Waste Fund



# Consolidated Budget Summary



Other Financing Uses	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	5,039,922	4,068,596	5,628,141	6,218,842	8,160,088
Dollar Change	(39,749)	(971,326)	1,559,545	590,701	1,941,246
Percent Change	-0.8%	-19.3%	38.3%	10.5%	31.2%



Contingency	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Total Budgeted Amount	900,000	900,000	930,000	1,400,000	2,000,000
Dollar Change	-	-	30,000	470,000	600,000
Percent Change	0.0%	0.0%	3.3%	50.5%	42.9%

**Funds with Contingency:** General Fund, Water and Sewer Fund, Transportation, and Solid Waste

# Consolidated Budget Summary



## Consolidated Fund Balance Discussion

In all City funds at the close of 2021-2022, there was a total of \$62,724,320 in fund balance/unrestricted net position. The Local Government Commission recommends the minimum level of General Fund Balance available for appropriation at 8% of prior years' expenditures. The Hickory City Council has a financial policy striving to maintain a fund balance of 25% of its general operating budget. The reason for this policy is to avoid cash flow interruptions, to generate investment income, to eliminate the need for short-term borrowing, and to have a reserve available in case of sudden emergencies or opportunities.

Going into FY 2023-2024, the City continues to strategically utilize its General Fund Balance to fund various projects and opportunities related to our community's economic growth and development. Along with the ongoing implementation of the Bond Projects, the City has witnessed considerable economic progress over the recent years. A positive result of this has been a steady increase in the City's available General Fund Balance, and we continue to meet and exceed our minimum policy of 25% Unassigned General Fund Balance. The *estimated* Unassigned General Fund Balance as of June 30, 2023 is expected to be approximately 45% of the General Fund budgeted amount as we enter FY 2023-2024. For the upcoming Fiscal Year, the City continues to strike an important balance between the need for emergency reserves plus the regular use of Fund Balance for its ongoing operating and capital needs

For all City of Hickory funds, the fund balance/unrestricted net position trends and totals are as follows:

<b>Fund Balance / Unrestricted Net Position</b>	<b>2019-2020 Actual</b>	<b>2020-2021 Actual</b>	<b>2021-2022 Actual</b>	<b>2022-2023 Estimated</b>
General Fund-Unassigned FB	16,495,086	15,957,039	15,261,159	30,693,871
Capital Reserve Fund-Committed FB	4,925,613	6,888,222	7,934,945	9,992,448
Water and Sewer-Unrestricted Net Position	37,522,822	30,170,676	31,698,044	23,026,305
Sludge-Unrestricted Net Position	663,821	-	1,194,162	-
Stormwater-Unrestricted Net Position	524,234	572,016	593,430	611,396
Solid Waste-Unrestricted Net Position	820,703	85,588	241,465	576,939
Fleet Maint.-Unrestricted Net Position	(1,663,090)	(805,455)	-	(2,938,124)
Airport-Unrestricted Net Position	(969,462)	746,756	103,841	1,106,783
Insurance-Unrestricted Net Position	5,071,066	5,510,197	4,559,809	4,961,967
W&S Capital Reserve Fund - Committed FB	515,103	1,272,362	1,137,465	1,876,008
<b>Fund Totals</b>	<b>63,905,896</b>	<b>60,397,401</b>	<b>62,724,320</b>	<b>69,907,592</b>

# Consolidated Budget Summary

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## Staffing Analysis 2023-24

The City has 680 full-time positions for the FY23-24 budget.

- A full-time Planner position was approved for the Planning Department.
- A full-time Lab Technician position was approved to help with succession planning.
- A part-time Records Clerk position was converted to a full-time position.

The labor market has remained tight, with vacant jobs being plentiful and available workers being scarce. The challenge in this labor market is that the City has not only had to compete with the private sector to fill vacancies but also with other local governments. Along with the challenges of the labor market, the City projects that 12 employees will retire by the end of FY22-23.

In an effort to help address our ongoing employment challenges, the City has taken steps in the following areas:

- Recruitment – Sign-on and Referral Bonuses are being continued, and the HR Department has taken a more proactive approach to recruiting.
- Pre-Employment – A tracking system has been implemented to help ensure applications are streamlined, and a goal of getting selected applicants through the pre-employment process has been established.
- Benefits – An extensive evaluation of City Benefits has taken place, and changes are being implemented to help better serve employees and control costs. Also, a new accrual model is being adopted for FY23-24 to encourage and reward employee retention.

### Other Personnel Changes:

**Human Resources:** The full-time Risk Manager position was converted to an HR Coordinator position. The part-time Risk Admin position was converted to a part-time Risk Coordinator position. The full-time HR Generalist position was converted to a full-time HR Admin position. The HR Assistant Director position was converted to an HR Analyst position.

**Library:** A part-time Preschool Outreach position was combined with another part-time Preschool Outreach position to create a full-time Library Tech Literacy Engagement position.

**Police:** Reed Baer was named the new Police Chief. As noted above, a part-time records clerk position was converted to a full-time position.

**Public Works:** The Central Services Supervisor position was reclassified from a grade 14 to a grade 16 to accommodate for the responsibilities of the position and for the level of supervision.

**Public Utilities:** Two Construction Worker positions were converted to create a Construction Operations Coordinator and a Maintenance Operations Coordinator. As noted above, a full-time Lab Tech position was added.

**Planning and Development:** As noted above, a new Planner position was added to help with the increased workload in the Planning Department.

# Consolidated Budget Summary



## Staffing Analysis Chart 2023-24

	Actual 2018-2019	Actual 2019-2020	Actual 2020-2021	Actual 2021-2022	Actual 2022-2023	Budgeted 2023-2024
Administration - City Manager's Office	6	6	6	6	6	6
Communications	3	3	3	4	4	4
Budget	1	1	1	1	1	1
Bond Project Manager	1	1	1	0	0	0
Human Resources	6	6	6	6	6	7
Risk	2	2	2	2	2	1
City Clerk	1	1	1	1	1	1
Engineering	6	6	6	6	6	6
Finance	18	18	18	18	18	18
Legal	2	2	2	2	2	2
Public Services						
Building Services	6	6	10	10	10	10
Landscape Services	17	17	36	36	42	42
Central Services	7	7	7	7	7	7
Fleet Maintenance	12	12	12	12	12	12
Information Technology	8	9	9	9	9	9
<b>Public Safety</b>						
Fire	135	137	138	139	139	139
Police	152	152	157	157	157	158
<b>Transportation</b>						
Airport	10	10	10	12	13	13
Public Services						
Streets	43	43	43	43	37	37
Traffic	11	11	11	11	11	11
<b>Environmental Protection</b>						
Public Services						
Sanitation - Commercial	11	11	11	11	11	11
Sanitation - Residential	12	12	12	12	12	12
Stormwater	1	1	1	1	1	1
Public Utilities Administration	11	11	12	13	14	14
Henry Fork Plant	10	10	10	10	10	10
Northeast Plant	11	11	11	11	11	11
Pretreatment and Labs	7	7	7	7	7	8
Collection System (Pump Stations)	16	16	16	16	16	16
Distribution System (Construction)	33	33	33	33	33	33
Water Plant	12	12	12	12	12	12
Claremont	2	2	2	2	2	2
Catawba	3	3	3	3	3	3
Recycling	13	13	13	13	13	13
<b>Economic and Community Development</b>						
Planning	10	10	10	10	11	12
<b>Culture and Recreation</b>						
Library	17	17	17	18	19	19
Parks and Recreation	18	19	19	19	19	19
Maintenance	24	23	0	0	0	0
<b>Total</b>	<b>658</b>	<b>661</b>	<b>668</b>	<b>673</b>	<b>677</b>	<b>680</b>

# Capital Improvements/Grant Projects



The Capital Improvements/Grant Projects portion of the budget document contains information on the following areas:

## 5 Year CIP

The 5 Year Capital Improvement Plan (CIP) is the financial plan for the purchase or construction of capital assets. The CIP contains information on the upcoming budget year as well as five planning years beyond the upcoming year.

This section contains information on equipment purchases and construction projects that are listed in the City of Hickory's 5 Year CIP. This section is intended to provide a comprehensive look at all capital purchases and capital projects greater than \$5,000 which are either taking place or scheduled to take place within the City.

As part of the CIP requests, departments are asked to include estimates of how each project may affect future operating budgets. Examples of this include any new personnel, equipment, maintenance, or operating expenses that a capital purchase or project might necessitate.

Some of the purchases or projects listed in this plan will not occur in the year listed, or may never occur. To omit them would not give the reader a full understanding of the capital needs of the City. Decisions on proceeding with the purchases or projects listed in the 5 Year CIP are ultimately made by City Council.

## Capital Projects

Capital projects are those projects which either acquire or construct an asset of a long term character such as land, buildings, improvements, machinery or equipment. Capital projects may be accounted for in any fund.

## Grant Projects

Grant projects are those projects which are funded either in full or in part by federal or state funds. These funds may be for either capital or operating purposes. Grant projects may be accounted for in any fund.

## Disclosure

*The purpose of this section is not to describe the different funds, ordinances or accounting requirements for each capital purchase or capital project as much as it is to describe the purchases and projects themselves. Therefore, you will find less continuity related to individual funds than you found earlier in this document. This is by design and is necessitated due to the broad transcending nature of the subject.*

# Capital Improvements/Grant Projects

CIP Items	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
<b>General Fund</b>						
<b>Administration</b>						
Computer Replacement			\$ 3,750	\$ 5,000	\$ 6,250	
<b>Governing Body</b>						
Computer Replacement	\$ 6,500	\$ 6,250				
<b>Communications</b>						
Computer Replacements		\$ 5,000				
Laptop with Graphics package	\$ 3,700		\$ 5,400	\$ 5,400		
<b>Human Resources</b>						
Computer Replacements/Software	\$ 5,000	\$ 5,000	\$ 6,000	\$ 6,000		
Computer Equipment						
<b>Budget</b>						
Computer Replacements/Software						
<b>Risk Management</b>						
Computer Replacements						
<b>Finance</b>						
Computer Replacements/Software	\$ 14,300	\$ 9,000	\$ 10,000	\$ 12,000	\$ 10,000	
<b>Information Technology</b>						
Computer Equipment	\$ 510,000	\$ 215,000	\$ 340,000	\$ 455,000	\$ 350,000	\$ 65,000
Vehicle Replacement	\$ 35,000					
Computer Replacement	\$ 52,000	\$ 52,000	\$ 21,000			
Time Clocks		\$ 35,000				
Phone System Refresh						\$ 160,000
<b>City Clerk</b>						
Computer Replacement	\$ 1,500	\$ 2,000		\$ 2,000	\$ 2,136	
<b>Legal</b>						
Computer Replacement	\$ 2,000	\$ 3,000	\$ 2,000		\$ 1,500	
<b>Engineering</b>						
Computer Replacement	\$ 7,000	\$ 9,000	\$ 3,000	\$ 8,000	\$ 8,000	\$ 12,000
Specialized Equipment	\$ 17,500		\$ 42,500	\$ 45,000	\$ 150,000	\$ 20,000
Vehicle Replacement	\$ 42,000	\$ 35,000				\$ 40,000
Furniture						\$ 20,000
<b>Planning and Development</b>						
Computer Replacements	\$ 6,000	\$ 8,000	\$ 6,000	\$ 5,000	\$ 6,000	\$ 6,000
<b>Police Department</b>						
Building Repairs & Improvements	\$ 163,147	\$ 1,182,813	\$ 3,500	\$ 3,500	\$ 3,500	\$ 3,500
Furniture	\$ 5,000	\$ 11,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 11,000
Viper Migration System		\$ 116,000	\$ 116,000	\$ 116,000	\$ 116,000	\$ 116,000
Specialized Equipment	\$ 36,485	\$ 50,000				
New Vehicles	\$ 847,000	\$ 784,000	\$ 784,000	\$ 784,000	\$ 784,000	\$ 784,000
Marine Unit Boat		\$ 85,000				
Taxes on Vehicles	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Computer Replacement	\$ 20,000	\$ 80,000	\$ 20,000	\$ 20,000	\$ 75,000	\$ 20,000
Rifles & Handguns	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Handheld Radios	\$ 30,000		\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Computer Lease	\$ 55,000					
Tasers		\$ 45,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Cameras		\$ 20,000				
Viper System Radios		\$ 60,000				
Combat Gauze		\$ 5,000				
Drones			\$ 30,000			
Batteries for UPS System			\$ 15,000		\$ 15,000	\$ 15,000
Special Operation Team Vests					\$ 75,000	\$ 75,000

# Capital Improvements/Grant Projects

CIP Items	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
<b>Fire Department</b>						
Building Repairs & Improvements	\$ 65,000	\$ 65,000	\$ 65,000		\$ 50,000	
Land Acquisition & Construction		\$ 9,250,000	\$ 750,000	\$ 9,500,000		
Furniture & Fixtures	\$ 242,000	\$ 152,000	\$ 27,000	\$ 152,000	\$ 27,000	\$ 27,000
Fitness Equipment	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000
Specialized Equipment	\$ 300,000	\$ 955,000				\$ 200,000
Computer Equipment	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Vehicle Replacement		\$ 110,000	\$ 110,000	\$ 120,000	\$ 120,000	\$ 120,000
Apparatus Replacement		\$ 1,500,000	\$ 980,000		\$ 1,700,000	\$ 700,000
Personnel Equipment	\$ 50,000	\$ 130,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 330,000
Radios	\$ 35,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 50,000	\$ 50,000
<b>Building Services</b>						
Specialized Equipment	\$ 85,000	\$ 50,000	\$ 47,000	\$ 20,000	\$ 40,000	
Vehicle Replacement		\$ 180,000	\$ 55,000		\$ 46,000	\$ 46,000
Computer Replacement	\$ 4,800	\$ 3,200		\$ 5,000	\$ 3,600	
<b>Central Services</b>						
Construction		\$ 855,000	\$ 5,000			
Vehicle Replacement		\$ 40,000			\$ 45,000	
Computer Equipment	\$ 4,000	\$ 9,000	\$ 4,000		\$ 6,000	
Recorder	\$ 2,500				\$ 2,500	
Shredder		\$ 2,000				
Ice Maker		\$ 40,000				
Security Cameras		\$ 2,400				
<b>Traffic</b>						
Heat Pump		\$ 6,500				
Specialized Equipment	\$ 14,000	\$ 14,000	\$ 62,750	\$ 9,400	\$ 43,715	\$ 40,000
Traffic Equipment		\$ 77,000	\$ 38,500	\$ 390,000	\$ 103,000	\$ 46,500
Vehicle Replacement	\$ 60,000	\$ 80,000	\$ 45,000	\$ 45,000	\$ 110,000	\$ 75,000
Signal Corridor Retiming	\$ 54,500	\$ 56,000		\$ 59,500		\$ 63,500
Other Equipment		\$ 2,000	\$ 5,000	\$ 5,000	\$ 3,000	
Computer Replacement	\$ 2,500	\$ 3,500	\$ 3,000	\$ 10,000		\$ 4,000
Software		\$ 7,750		\$ 6,000	\$ 3,000	
Technology Upgrade	\$ 2,500				\$ 4,000	
Traffic Counters					\$ 5,000	\$ 6,000
<b>Street</b>						
Paving Study		\$ 45,000				
New Sidewalk Construction	\$ 180,000					
Specialized Equipment	\$ 410,000	\$ 75,000	\$ 135,000	\$ 284,100	\$ 349,000	\$ 210,000
Vehicle Replacement	\$ 305,000	\$ 614,373	\$ 375,000	\$ 90,000		\$ 350,000
Computer Equipment	\$ 2,500	\$ 2,500	\$ 11,000	\$ 2,750	\$ 2,750	
Small Waker Tamp	\$ 2,000				\$ 2,500	\$ 2,500
<b>Landscape</b>						
Cemetery Roof		\$ 20,000				
Specialized Equipment	\$ 269,500	\$ 178,100	\$ 244,800	\$ 221,000	\$ 240,850	\$ 42,000
Other Equipment	\$ 469,700	\$ 513,500	\$ 522,200	\$ 306,500	\$ 55,600	\$ 38,000
Vehicle Replacement	\$ 120,000	\$ 230,000	\$ 125,000	\$ 225,000	\$ 116,000	\$ 160,000
Greenhouse Roof						\$ 15,000
Fairbrooks Amenities						\$ 15,000
Facility Improvements	\$ 220,000					
Henry Fork Park Field		\$ 4,300,400				
Computer Replacement	\$ 5,000	\$ 8,250			\$ 2,700	
Concessions Trailer			\$ 2,500			
Park Amenities				\$ 22,629		



# Capital Improvements/Grant Projects

CIP Items	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
<b>Parks and Recreation</b>						
Construction		\$ 80,000	\$ 200,000	\$ 750,000		
Rec. Equipment		\$ 7,000			\$ 75,000	
Vehicles	\$ 55,000	\$ 40,000				
Computer Replacements	\$ 4,500	\$ 7,500	\$ 6,000	\$ 7,500	\$ 9,000	\$ 10,000
Fitness Center Equip. Replacement	\$ 30,000	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 40,000
Lightning Prediction and Warning System - Stanford Pk	\$ 8,075					
Lightning Prediction and Warning System - Neil Clark			\$ 8,075			
Lightning Prediction and Warning System Kiwanis Park		\$ 8,075				
Facility Improvements	\$ 27,500	\$ 40,000	\$ 185,000		\$ 210,000	\$ 260,000
Other Equipment	\$ 20,000	\$ 14,585	\$ 40,000			
Electronic Displays			\$ 20,000			
<b>Library</b>						
Building Improvements	\$ 43,000	\$ 31,000	\$ 43,000	\$ 211,109	\$ 190,000	\$ 20,000
Computer Replacement	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
<b>Public Buildings</b>						
<b>General Fund Total</b>	<b>\$ 5,078,707</b>	<b>\$ 22,829,696</b>	<b>\$ 6,048,975</b>	<b>\$ 14,435,388</b>	<b>\$ 5,698,601</b>	<b>\$ 4,409,000</b>
<b>Fleet Fund</b>						
<b>Garage</b>						
Construction	\$ 60,000	\$ 383,000				
Specialized Equipment	\$ 12,000	\$ 18,600	\$ 37,200	\$ 32,600		
Vehicle Replacement		\$ 35,000	\$ 27,000			
Computers	\$ 3,500		\$ 3,500			
Metal Doors	\$ 15,000		\$ 5,500			
Field Pump				\$ 8,000		
<b>Fleet Fund Total</b>	<b>\$ 90,500</b>	<b>\$ 436,600</b>	<b>\$ 73,200</b>	<b>\$ 40,600</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Water and Sewer Fund Equipment</b>						
<b>Administration</b>						
Specialized Equipment	\$ 102,600	\$ 102,600	\$ 102,600	\$ 102,600		
Vehicle Replacement	\$ 75,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 100,000	\$ 30,000
Computer Replacement	\$ 2,000		\$ 6,000	\$ 4,000		
Radios	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	\$ 3,200	
<b>Collection System</b>						
Improvements	\$ 90,000					
Specialized Equipment	\$ 104,500	\$ 210,000	\$ 65,000	\$ 473,500	\$ 298,500	\$ 160,000
Vehicle Replacement	\$ 95,000	\$ 175,000	\$ 140,000	\$ 45,000	\$ 150,000	\$ 230,000
Sewer Lines	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000		
Computer Replacement	\$ 6,000	\$ 5,000	\$ 3,000	\$ 2,000		
<b>Henry Fork Plant</b>						
Paving at Facility		\$ 500,000				
Specialized Equipment	\$ 75,000	\$ 120,000	\$ 75,000	\$ 50,000	\$ 8,000	\$ 20,000
Vehicle Replacement		\$ 30,000		\$ 40,000		\$ 35,000
Superintendent	\$ 2,000					
<b>Northeast Plant</b>						
Upgrade Plant SCADA					\$ 40,000	
Specialized Equipment	\$ 152,000	\$ 243,000	\$ 197,000	\$ 108,000	\$ 68,000	\$ 648,000
Vehicle Replacement			\$ 170,000			\$ 30,000
Computer Replacement	\$ 2,000	\$ 2,000	\$ 2,000			
Flow Meter			\$ 4,000			



# Capital Improvements/Grant Projects

CIP Items	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
<b>Water Treatment Plant</b>						
Facility Improvements	\$ 650,000	\$ 45,000	\$ 100,000	\$ 695,000	\$ 220,000	\$ 40,000
Furniture						\$ 25,000
Specialized Equipment	\$ 231,000	\$ 284,000	\$ 252,000	\$ 261,000	\$ 211,000	\$ 269,000
Vehicle Replacement			\$ 30,000		\$ 30,000	\$ 30,000
Computer Replacement		\$ 2,000	\$ 2,000	\$ 4,000		
Lab PH Meter			\$ 5,000			
<b>Pretreatment &amp; Lab</b>						
Specialized Equipment	\$ 14,000		\$ 6,500	\$ 26,500	\$ 6,500	\$ 32,000
Vehicle Replacement		\$ 32,000	\$ 32,000		\$ 35,000	
CO GLS Sampler	\$ 4,000	\$ 9,000	\$ 9,000	\$ 4,500	\$ 9,000	
Computer Replacement		\$ 4,000	\$ 4,000			\$ 4,000
Sample Pump		\$ 2,000			\$ 2,100	
Dishwasher		\$ 900	\$ 900	\$ 900		
PH/ION Meter		\$ 2,000	\$ 900		\$ 2,500	
Heated Water Bath			\$ 1,200		\$ 1,200	
Conductivity Meter				\$ 900	\$ 900	
Spectrophotometer				\$ 6,800		
PH/DO Meter					\$ 900	\$ 900
Vacuum Pump						\$ 4,500
<b>Hickory Catawba Wastewater Plant</b>						
SCADA Upgrade		\$ 30,000				
Specialized Equipment	\$ 25,000	\$ 42,000	\$ 22,000	\$ 26,000	\$ 20,000	\$ 45,000
Vehicle Replacement					\$ 30,000	\$ 40,000
Effluent Flow Meter			\$ 5,000			
<b>Distribution</b>						
Specialized Equipment	\$ 18,000	\$ 17,000	\$ 18,000	\$ 18,000	\$ 17,000	\$ 18,000
Water & Sewer Equipment	\$ 172,000	\$ 95,000	\$ 235,000	\$ 80,000	\$ 80,000	\$ 185,000
Vehicle Replacement	\$ 195,000	\$ 40,000	\$ 110,000	\$ 165,000	\$ 305,000	\$ 185,000
Water Lines	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Computer Replacement	\$ 4,000		\$ 4,000	\$ 4,000	\$ 4,000	\$ 2,000
Tools	\$ 14,000	\$ 15,000	\$ 15,000	\$ 13,000	\$ 15,000	\$ 15,000
<b>Water and Sewer Fund Equipment Total</b>	<b>\$ 2,066,300</b>	<b>\$ 2,100,700</b>	<b>\$ 1,710,300</b>	<b>\$ 2,223,900</b>	<b>\$ 1,672,800</b>	<b>\$ 2,063,400</b>
<b>Capital Improvement</b>						
Water Lines	\$ 5,000,000	\$ 5,275,000	\$ 900,000	\$ 4,840,000	\$ 4,700,000	\$ 1,956,000
Sewer Lines	\$ 335,000	\$ 4,285,000	\$ 1,485,000	\$ 385,000	\$ 285,000	
Specialized Equipment					\$ 155,000	
<b>Water and Sewer Fund Construction Total</b>	<b>\$ 5,335,000</b>	<b>\$ 9,560,000</b>	<b>\$ 2,385,000</b>	<b>\$ 5,225,000</b>	<b>\$ 5,140,000</b>	<b>\$ 1,956,000</b>
<b>Water and Sewer Fund Total</b>	<b>\$ 7,401,300</b>	<b>\$ 11,660,700</b>	<b>\$ 4,095,300</b>	<b>\$ 7,448,900</b>	<b>\$ 6,812,800</b>	<b>\$ 4,019,400</b>
<b>Sludge Fund</b>						
Housing and Chains for Conveyors	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000		
<b>Sludge Fund Total</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ -</b>	<b>\$ -</b>

# Capital Improvements/Grant Projects

CIP Items	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
<b>Transportation Fund</b>						
<b>Airport</b>						
Building & Construction	\$ 75,000		\$ 150,000	\$ 325,000	\$ 175,000	
Facility Improvements	\$ 45,000	\$ 195,000	\$ 55,000	\$ 130,000	\$ 80,000	
Other Equipment	\$ 40,000	\$ 95,000	\$ 25,000		\$ 150,000	\$ 40,000
Computer Replacement			\$ 3,000	\$ 1,500		
Sign Replacement	\$ 10,000			\$ 5,000		
<b>Tower</b>						
Facility Improvements		\$ 25,000	\$ 60,000	\$ 20,000	\$ 30,000	
Specialized Equipment		\$ 6,000				
<b>FBO</b>						
Building & Construction	\$ 130,000	\$ 155,000	\$ 215,000	\$ 180,000	\$ 80,000	
Specialized Equipment	\$ 30,000		\$ 160,000			
Computer Replacement		\$ 4,500		\$ 1,500		
<b>Transportation Fund Total</b>	<b>\$ 330,000</b>	<b>\$ 480,500</b>	<b>\$ 668,000</b>	<b>\$ 663,000</b>	<b>\$ 515,000</b>	<b>\$ 40,000</b>
<b>Solid Waste Fund</b>						
<b>Recycling</b>						
Other Equipment	\$ 53,000				\$ 201,000	
Vehicle Replacement	\$ 1,130,000	\$ 530,000	\$ 495,000	\$ 415,000	\$ 287,000	\$ 940,000
Computer Replacement		\$ 1,750				
Specialized Equipment			\$ 1,000,000			
<b>Residential Sanitation</b>						
Vehicle Replacement	\$ 400,000	\$ 407,000	\$ 431,500	\$ 457,500	\$ 894,000	\$ 616,000
Computer Replacement		\$ 3,500				
<b>Commercial Bulk Services</b>						
Facility Improvements		\$ 100,000				
Specialized Equipment		\$ 106,000	\$ 245,500	\$ 133,000	\$ 200,000	
Vehicle Replacement		\$ 655,500	\$ 779,000	\$ 663,250	\$ 653,000	\$ 692,000
Computer Replacement	\$ 3,500					
<b>Solid Waste Fund Total</b>	<b>\$ 1,586,500</b>	<b>\$ 1,803,750</b>	<b>\$ 2,951,000</b>	<b>\$ 1,668,750</b>	<b>\$ 2,235,000</b>	<b>\$ 2,248,000</b>
<b>Total Funds</b>	<b>\$ 14,537,007</b>	<b>\$ 37,261,246</b>	<b>\$ 13,886,475</b>	<b>\$ 24,306,638</b>	<b>\$ 15,261,401</b>	<b>\$ 10,716,400</b>

# Capital Improvements/Grant Projects

## Citywalk

Project#B1C001

Total Project Cost: \$25,250,505

Project Start Date: 2016

Project End Date: 2022

Project Manager: Rick Beasley



## Description

Citywalk is a pedestrian link from Lenoir-Rhyne University through the downtown area and continues the mill redevelopments and corporate headquarter opportunities that have already taken place along this corridor. The goal of this project is to create destinations for jobs, service, and professional opportunities in the City's Central Business District. Locations along the Citywalk are viable for a number of activities including corporate headquarters, urban residential units, commercial services, and retail jobs.

## Impact on Operating Budget

All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which Citywalk represents approximately 26%.



As of April 12, 2023	Budgeted	Actuals
Design	1,351,401.00	1,304,272.57
Construction	20,532,553.00	19,207,189.89
Engineering	963,133.00	954,666.82
Miscellaneous	1,308,267.00	1,288,904.35
Transfer to General Fund	1,095,151.00	1,095,151.00
Total	25,250,505.00	23,850,184.63

# Capital Improvements/Grant Projects

## Riverwalk

Project # B1R001  
Total Project Cost: \$17,917,127  
Project Start Date: February 2017  
Project End Date: 2024  
Project Manager: Rick Beasley



## Description

Another Bond project, the Riverwalk will be Hickory's first on-water boardwalk experience, along the shoreline of Lake Hickory. This will take the form of a mile-long ADA-accessible walkway extending from Highway 321 to Geitner-Rotary Park and is designed to let people view and experience the water through enhanced pedestrian access to Lake Hickory. Planning began during fall 2016, with a construction contract awarded in January 2020 to David E. Looper & Company for \$5,889,133. This project is further leveraged through private investment in the future Deidra Lackey Memorial Park for the same area.

## Impact on Operating Budget

All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which Riverwalk represents approximately 31%.

As of April 12, 2023	Budgeted	Actuals
Design	1,549,051.00	1,330,789.26
Construction	14,873,497.00	13,343,163.87
Engineering	618,265.00	662,998.08
Miscellaneous	77,750.00	39,574.79
Transfer to General Fund	798,564.00	798,564.00
Total	17,917,127.00	16,175,090.00

# Capital Improvements/Grant Projects

## Trivium Corporate Center

Project # B1B001  
Total Project Cost: \$28,673,058  
Project Start Date: Spring 2017  
Project End Date: TBD



### Description

Trivium Corporate Center is a joint business-park venture between Catawba County and the City of Hickory. The property consists of some 200 acres located south of Catawba Valley Community College between Robinwood Road and Startown Road, placing it with excellent access to Interstate 40 and Highway 321. The Catawba County Economic Development Commission continues to market the property.

As of Spring 2021, the following tenants have already established or begun locating here: *Corning Incorporated*; *Isotopen Technologien München AG (ITM)*; *Cataler North America Corporation*; *Stonemont Financial Group* (192,000 square-foot speculative building); *American Fuji Seal*; and *Gusmer Enterprises*.

### Impact on Operating Budget

Enhanced opportunities for international and upper-end business development will benefit not only the local property tax base but will also enhance the availability of quality, higher technology jobs in the local community. All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which Trivium Corporate Center represents approximately 13%.



As of April 12, 2023	Budgeted	Actuals
Design	491,257.00	-
Construction	13,606,900.00	11,406,593.69
Right-of-Way	-	-
Engineering	2,144,271.00	1,878,323.89
Miscellaneous	849,097.00	782,680.32
Land	8,498,452.00	8,149,769.86
Transfer to General Fund	3,083,081.00	2,333,081.00
Total	28,673,058.00	24,550,448.76



# Capital Improvements/Grant Projects

## Streetscapes and Gateways

Project # B1G001  
Total Project Cost: \$1,143,343  
Project Start Date: 2016  
Project End Date: 2021  
Project Manager: Rick Beasley



## Description

The current Gateway plan consists of an artistic leaf structure, along with landscaping, at Highway 321 and 70. The other Gateway will be placed at Lenoir-Rhyne Boulevard and Interstate 40. Amec Foster Wheeler was hired to design the gateway at Highway 321 and Highway 70. That design was completed in 2017 and approved by City Council. The LR Blvd. I-40 Gateway has not been designed yet. Construction contracts for the US Highway 321/70 Gateway were awarded to Southern Lawnsapes and Sign Systems, Inc. and the project is now complete with backlighting and final landscaping. There are multiple Streetscape projects. One will be on Lenoir Rhyne Boulevard between Highway 70 and Tate Boulevard. Another Streetscape will be along Old Lenoir Road, which will connect the City Walk to the Riverwalk.

## Impact on Operating Budget

All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which Streetscapes and Gateways represents approximately 1%.

As of April 12, 2023	Budgeted	Actuals
Design	256,166.00	249,166.00
Construction	554,495.00	526,971.11
Right-of-Way	-	-
Engineering	-	-
Miscellaneous	-	-
Land	-	-
Transfer to General Fund	332,682.00	332,682.00
Total	1,143,343.00	1,108,819.11

# Capital Improvements/Grant Projects

## Historic Ridgeview Walk

Project # B1L001  
Total Project Cost: \$6,287,019  
Project Start Date: 2019  
Project End Date: TBD  
Project Manager: Rick Beasley



## Description

Historic Ridgeview Walk is part of the larger Hickory Trail multiuse path system and bond program that seeks to increase quality of life for residents and spur economic revitalization by providing pedestrian and bicycle connectivity throughout the City. Historic Ridgeview Walk will specifically provide this connectivity within the Ridgeview community and connect the Ridgeview community to Downtown Hickory and U.S. 70. Historic Ridgeview Walk proposes to construct a 1.2-mile, 10-foot wide multiuse path for pedestrians and bicyclists of all ages and abilities, connecting residents to community amenities.

In addition to utilizing \$1.3 million of Bond proceeds, the City was awarded \$5.2 million of federal Surface Transportation Block Grant – Direct Attributable (STBG-DA) funds towards the Historic Ridgeview Walk project by the Greater Hickory Metropolitan Planning Organization (MPO) and the North Carolina Department of Transportation (NCDOT).

## Impact on Operating Budget

All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which Historic Ridgeview Walk represents approximately 2%.

As of April 12th, 2023	Budgeted	Actuals
Design	810,811.00	748,109.01
Construction	3,970,435.00	21,191.15
Right of Way	415,000.00	331,793.00
Engineering	584,903.00	-
Miscellaneous	505,870.00	7,798.71
Transfer to General Fund	-	-
Total	6,287,019.00	1,108,891.87



# Capital Improvements/Grant Projects

## Aviation Walk

Project # B1N001  
Total Project Cost: \$28,963,665  
Project Start Date: Spring 2020  
Project End Date: TBD

## Description

On December 6, 2018, the City of Hickory was awarded a \$17 million *Better Utilizing Investments to Leverage Development (BUILD)* Transportation Discretionary Grant from the U.S. Department of Transportation (USDOT).



In addition to funding a 1.2-mile complete streetscape loop in Downtown Hickory as part of the Hickory Trail, the BUILD grant will fund a pedestrian bridge over U.S. 321 and an approximately 1.7-mile bicycle and pedestrian trail that will travel by L.P. Frans Stadium, home of the Hickory Crawdads baseball team, and up to the Hickory Regional Airport. This multiuse path will be called the Aviation Walk. It is currently under design and anticipated to go out to bid by early 2021, with construction slated to begin in spring 2021.

## Impact on Operating Budget

Enhanced physical improvements and amenities for the traveling public will aid in encouraging increased development of the tax base to occur in the critical economic areas between downtown, the Riverwalk along Lake Hickory, Crawdads stadium, and Hickory Regional Airport. All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which Aviation Walk represents approximately 9%.



As of April 12, 2023	Budgeted	Actuals
Design	2,380,927.00	2,328,045.34
Construction	22,261,582.00	12,265,555.49
Right-of-Way	1,724,148.00	1,502,676.81
Engineering	1,808,919.00	977,160.28
Miscellaneous	788,089.00	298,061.92
Total	28,963,665.00	17,371,499.84

# Capital Improvements/Grant Projects

## OLLE Art Walk

Project # B10001

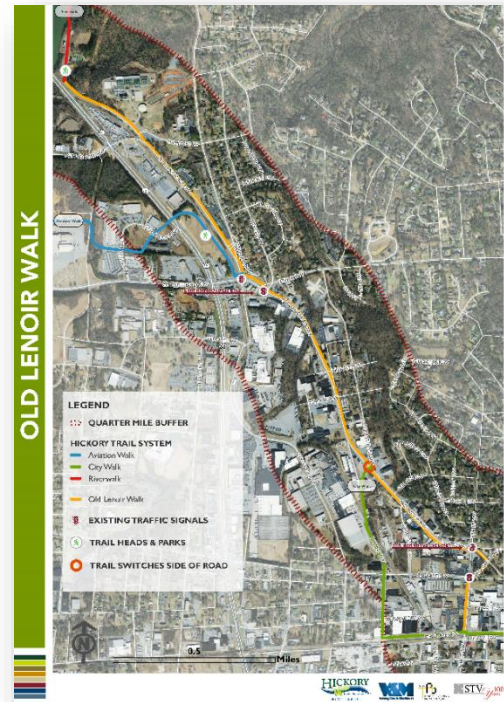
Total Project Cost: \$16,336,137

Project Start Date: Spring 2020

Project End Date: TBD

## Description

Old Lenoir Road is about to get a makeover, thanks to an \$8.48 million grant from the Greater Hickory Metropolitan Planning Organization (MPO) and the North Carolina Department of Transportation (NCDOT). At its May 7, 2019 meeting, Hickory City Council unanimously approved an agreement with NCDOT to receive the federal funds to construct a multiuse trail and make streetscape improvements along Old Lenoir Road, which will be known as the OLLE Art Walk. Hickory City Council is moving this project forward by matching the federal funding, which covers 80 percent of the cost. The 20 percent local match will be met with local bond funds from the Crafting Hickory initiative.



## Impact on Operating Budget

All \$40 million in Bonds have been issued, resulting in annual Debt Service of \$3,289,125 of which OLLE Art Walk represents 10%.

As of April 12, 2023	Budgeted	Actuals
Design	1,524,371.00	1,510,838.36
Construction	11,522,334.00	383,260.12
Right-of-Way	1,413,000.00	947,693.00
Engineering	1,327,472.00	125,374.86
Miscellaneous	548,960.00	625.08
Total	16,336,137.00	2,967,791.42

# Debt Service

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Like most municipalities, the City of Hickory utilizes debt as a means to finance long-term capital projects. Hickory has traditionally maintained a conservative position regarding the use of debt while simultaneously benefiting from its use to fund projects such as water plants, libraries, and police stations. Because of its critical importance to the City's financial solvency, debt is regulated not only by Council policy, but also by North Carolina statutes. The *Debt Service* section examines the specifics of the City's debt **and includes only that debt which the City has outstanding at the time of the printing of this document.**

## Discussion

The City of Hickory's bond rating is AA+ from Standard & Poor's, and Aa1 from Moody's. These ratings were upgraded during October 2019, from a previous rating of Aa2 from Moody's. In the future, these bond ratings will continue to allow the City to borrow money at lower interest rates than what we have been able to achieve previously.

As we move into FY2023-2024 we continue to service the debt the 2018, 2019, and 2021 General Obligation Bond issues. The current payments on the 2018, 2019, and 2021 General Obligation Bonds comprise Bonds comprise 42% of all debt service for the year.

Debt service payments on State Revolving Loan funds borrowed from the State of North Carolina for the Northeast Wastewater Treatment Plant, Geitner Basin, Central Business District, Murray Basin, and Cripple Creek sewer projects will make up 21% of all debt service requirements. The Cripple Creek Interceptor replacement is a revolving loan funded by the American Recovery and Reinvestment Act (ARRA).

Debt service payments on Installment Purchase Agreements will make up 37% of all debt service requirements for the City of Hickory in FY2023-2024. Funds borrowed through this means of financing were for the Hickory Metro Convention Center and upgrades to the Hickory-Catawba Wastewater Treatment Plant.

# Debt Service

DEBT SERVICE		FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28
<b>General Obligation Bonds</b>						
Purpose	G.O. Bond Series 2018					
Interest Rate	3%-5% variable					
Issued	8/28/2018					
Due	Annually to 2038					
Outstanding	\$15,664,688					
Principal	\$12,000,000	750,000	750,000	750,000	750,000	750,000
Interest	\$3,664,688	466,875	429,375	391,875	354,375	316,875
Purpose	G.O. Bond Series 2019					
Interest Rate	2.55%-5% variable					
Issued	11/19/2019					
Due	Annually to 2039					
Outstanding	\$16,817,250					
Principal	\$12,750,000	750,000	750,000	750,000	750,000	750,000
Interest	\$4,067,250	489,750	452,250	414,750	377,250	339,750
Purpose	G.O. Bond Series 2021					
Interest Rate	2.55%-5% variable					
Issued	11/19/2021					
Due	Annually to 2039					
Outstanding	\$12,340,000					
Principal	\$9,500,000	500,000	500,000	500,000	500,000	500,000
Interest	\$2,840,000	332,500	307,500	282,500	257,500	232,500
<b>Subtotal</b>		<b>\$ 3,289,125</b>	<b>\$ 3,189,125</b>	<b>\$ 3,089,125</b>	<b>\$ 2,989,125</b>	<b>\$ 2,889,125</b>
<b>State Revolving Loan</b>						
Purpose	S-SRF-T-0900181 Northeast Plant					
Interest Rate	2.48%					
Issued	1/20/2013					
Due	Annually to 2033					
Outstanding	\$9,697,625					
Principal	\$8,785,000	905,000	900,000	895,000	890,000	880,000
Interest	\$912,625	153,738	137,900	122,150	106,488	90,913
Purpose	Central Business District					
Interest Rate	1.66%					
Issued	11/4/2017					
Due	Semi-annually through 2038					
Outstanding	\$1,153,278					
Principal	\$1,023,075	68,205	68,205	68,205	68,205	68,205
Interest	\$130,203	16,983	15,851	14,719	13,586	12,454
Purpose	Geitner Basin Sewer					
Interest Rate	1.66%					
Issued	12/24/2017					
Due	Semi-annually through 2038					
Outstanding	\$2,676,177					
Principal	\$2,384,282	149,018	149,018	149,018	149,018	149,018
Interest	\$291,896	37,106	34,632	32,158	29,685	27,211
Purpose	Murray Basin					
Interest Rate	1.04%					
Issued	11/1/2023					
Due	Semi-annually through 2043					
Outstanding	\$5,772,352					
Principal	\$5,182,700	259,135	259,135	259,135	259,135	259,135
Interest	\$589,652	77,601	51,205	48,510	45,815	43,120
Purpose	Cripple Creek ARRA Loan					
Interest Rate	0%					
Issued	09/14/2010					
Due	Annually to 2031					
Outstanding	\$281,201					
Principal	\$281,201	40,057	40,057	40,057	40,057	40,457
Interest	-					
<b>Subtotal</b>		<b>\$ 1,706,843</b>	<b>\$ 1,656,003</b>	<b>\$ 1,628,951</b>	<b>\$ 1,601,989</b>	<b>\$ 1,570,512</b>

# Debt Service

Installment Purchase Agreements						
Purpose	Hky Metro Conv. Center Parking Deck					
Interest Rate	2.94%					
Issued	10/22/2014					
Due	Semi-annually to 2030					
	1.98% Reduced Interest Rate 04/22/21					
Outstanding	\$1,230,664					
Principal	\$1,158,388	200,000	200,000	200,000	200,000	200,000
Interest	\$72,276	21,946	17,986	14,026	10,066	6,106
Purpose	Henry River Basin Sewer					
Interest Rate	3.55%					
Issued	4/5/2005					
Due	Semi-annually to 2025					
	3.19% Reduced Interest Rate 03/21/2012					
	1.67% Reduce Interest Rate 11/30/2020					
Outstanding	\$732,331					
Principal	\$712,500	475,000	237,500			
Interest	\$19,831	13,882	5,949			
Purpose	Radio System Upgrade					
Interest Rate	2.92%					
Issued	10/9/2018					
Due	Semi-annually to 2023					
Outstanding	\$58,340					
Principal	\$57,500	57,500				
Interest	\$840	840				
Purpose	BB&T TDA Expansion					
Interest Rate	3.83%					
Issued	3/15/2023					
Due	Semi-annually to 2043					
Outstanding	\$20,246,654					
Principal	\$14,135,000		400,000	760,000	760,000	760,000
Interest	\$6,111,654	565,431	541,371	526,051	496,943	467,835
Purpose	Hickory-Catawba WWTP Upgrade					
Interest Rate	2.27%					
Issued	2/1/2013					
Due	Semi-annually to 2028					
Outstanding	\$3,912,161					
Principal	\$3,678,635	702,894	718,940	735,352	752,140	769,310
Interest	\$233,526	79,539	63,492	47,080	30,293	13,122
Purpose	Truist-Combined Debt					
Interest Rate	1.69%					
Issued	12/16/2020					
Due	Semi-annually to 2035					
Outstanding	\$6,936,563					
Principal	\$6,250,000	500,000	500,000	500,000	500,000	500,000
Interest	\$686,563	103,513	95,063	86,613	78,163	69,713
Purpose	Police Laptops					
Interest Rate	7.14%					
Issued	12/16/2020					
Due	Semi-annually to 2023					
Outstanding	\$55,000					
Principal	\$51,333	51,333				
Interest	\$3,667	3,667				
Purpose	Sanitation Trucks					
Interest Rate	0.00%					
Issued	2/1/2021					
Due	Monthly to 2024					
Outstanding	\$113,170					
Principal	\$113,170	113,170				
Interest	-					
<b>Subtotal</b>		<b>2,943,715</b>	<b>2,780,301</b>	<b>2,869,122</b>	<b>2,827,604</b>	<b>2,786,085</b>
<b>Grand Total</b>		<b>\$ 7,939,683</b>	<b>\$ 7,625,429</b>	<b>\$ 7,587,197</b>	<b>\$ 7,418,717</b>	<b>\$ 7,245,722</b>



## LEGAL DEBT MARGIN

What is the borrowing capacity of the City? This is a key question whenever local governments consider financing large projects and committing tax dollars towards the Debt Service over a period of years. From a legal standpoint, the City is subject to the Local Government Bond Act of North Carolina, which limits the amount of net bonded debt the City may have outstanding to 8% of the assessed value of property subject to taxation.

Below is a detailed history of the City's outstanding debt over the last ten years:

CITY OF HICKORY, NORTH CAROLINA LEGAL DEBT MARGIN INFORMATION LAST TEN FISCAL YEARS										Schedule 12
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit	\$ 377,581,017	\$ 383,754,992	\$ 379,528,028	\$ 363,175,123	\$ 372,328,057	\$ 384,391,327	\$ 391,766,805	\$ 409,658,607	\$ 424,185,891	\$ 431,460,490
Total net debt applicable to limit	45,103,768	-	-	-	31,172,053	32,420,573	43,026,003	58,591,268	62,080,074	70,559,671
Legal debt margin	\$ 332,477,249	\$ 383,754,992	\$ 379,528,028	\$ 363,175,123	\$ 341,156,004	\$ 351,970,754	\$ 348,740,802	\$ 351,067,339	\$ 362,105,817	\$ 360,900,819
Total net debt applicable to the limit as a percentage of debt limit	11.95%	0.00%	0.00%	0.00%	8.37%	8.43%	10.98%	14.30%	14.64%	16.35%
Legal Debt Margin Calculation for Fiscal Year 2022										
Assessed value of taxable property						\$ 5,393,256,119				
Debt limit - 8 percent of assessed value						\$ 431,460,490				
Debt applicable to limit:										
Gross debt						70,559,671				
Less - water bonds						-				
Total net debt applicable to limit						70,559,671				
Legal debt margin						\$ 360,900,819				

# Five Year Financial Forecast



## FIVE YEAR FINANCIAL FORECAST 2023-2024 THROUGH 2028-2029

The City of Hickory recognizes the importance of long-range planning throughout the organization. No effective plan, however, can exist without an understanding of the resources and obligations anticipated in the coming years. The City develops its Five-Year Budget Forecast to establish a reasonable basis for the budget planning process.

This Five-Year Budget Forecast includes the General Fund, Water and Sewer Fund, Stormwater Fund, Sludge Composting Fund, Transportation Fund, Solid Waste Fund, Fleet Maintenance Fund and Insurance Fund.

To complete this Five-Year Budget Forecast, we consider:

1. City Council's Priorities and Action Plan
2. Five Year CIP
3. Five Year Debt Schedule
4. Master Plans
5. Past budgetary trends
6. Current economic conditions
7. Projected economic conditions

In that we are projecting into the future based on what we know today and what we have experienced in the past, the last consideration of projected economic conditions can be extremely volatile, particularly as it relates to future revenue growth. We have a level of control over future expenditure growth, but economic conditions will ultimately dictate future revenue growth. You will see that our forecasted revenue growth has been estimated at what we believe to be achievable levels, but there are no guarantees.

You will also notice that projected expenditures may exceed projected revenues. Every Annual Budget adopted by City Council is statutorily required to be balanced, so these unbalanced projected numbers reflect the work which must be done every year to get expenditures in line with revenues. To present balanced budget projections would not provide an accurate accounting of the budgetary challenges faced every year. Improved economic conditions will translate into revenue growth that exceeds what is being forecast in this document. That generally translates into fewer cuts on the expenditure side or less pressure to increase revenue through new or increased taxes to provide the same level of service or new services.

The following projections present the budget framework around which planning for the City's next five fiscal years can begin.

### General Fund Revenue

- **Ad Valorem:** Anticipated growth in the City's property tax base will produce 2.0% growth in property tax revenues annually.
- **Other Taxes:** This category of revenue is highly impacted by both local and state-wide economic conditions. On average, these revenues will increase by 2% annually through FY2026-2027. Sales Taxes and Utility Franchise Taxes are the largest sources of revenue in this category.
- **Unrestricted Governmental Revenue:** These are revenues received from other governmental jurisdictions for which there are no restrictions on use. There is no growth forecasted in this category of revenue through FY2026-2027. The Beer & Wine Tax is the single largest source of revenue in this category.
- **Restricted Governmental Revenue:** These revenues are received from other governmental jurisdictions and are restricted for specific purposes in their use. We project 2% annual growth in this category of revenue due to most of these revenues coming from the State of North Carolina, an unstable financial partner with structural

# Five Year Financial Forecast



budgetary problems. The single largest source of revenue in this category is Powell Bill revenues, which are used solely for road maintenance.

- **Licenses & Permits:** These revenues are driven by local economic conditions and are derived from fees approved by City Council in the City's Fee Schedule. Fees are normally increased annually by the Consumer Price Index, but this gauge does not necessarily correspond to increases in revenue.
- **Sales & Services:** These revenues are also driven by local economic conditions, but to a lesser degree, and are derived from fees approved by City Council in the City's Fee Schedule. Many, but not all of the fees related to Sales and Services are increased annually by the Consumer Price Index. Examples of revenue in this category are TDA Convention Center Rental, Parking Rentals, and Recreational Program fees. TDA Convention Center Rental Revenue is tied to the debt service payments the City makes on this facility. Most sources of revenue in this category are expected to increase by 2% annually.
- **Investment Earnings:** These revenues are the earnings gained by the investment of the City's cash reserves in the financial markets. A conservative 2% growth is estimated over the next five years.
- **Miscellaneous:** These are revenues that do not qualify for any other category of revenue. Revenue growth in this category is projected at 2%.
- **Other Financing Sources:** This category of revenue reflects the appropriation of fund balance for designated purposes and transfers from the Capital Reserve Fund for capital purchases. It is anticipated that this source of revenue will increase by 2% annually over the next five years.

## General Fund Expenditures

- **Personnel:** These expenses are incurred as a result of full-time and part-time employees. Increases are generally driven by annual salary adjustments and the ever-increasing cost of providing health insurance coverage to employees which is anticipated to grow 5% annually. Longevity pay, part-time salaries, overtime and holiday pay are projected to stay flat. The addition of new employees for new or expanded services will increase this expenditure by more than the projected increases. On average this category of expenses is projected to increase by 2% annually.
- **Operational:** Operational expenses include such things as maintenance & repair, departmental supplies, fuel, power, natural gas and risk insurance. This category of expenses is projected to increase by an average of 1% annually.
- **Capital:** Capital is defined as a tangible purchase more than \$5,000 in value with a life expectancy of more than one year. The majority of purchases in this category are replacement equipment and replacement vehicle purchases. Most major construction projects are budgeted outside of the Annual Budget.
- **Contingency:** City Council's adopted policy calls for General Fund Contingency funding of up to 1.5% of recurring General Fund Revenues. Projected increases in Contingency funding mirror projected increases in budgeted revenue.
- **Special Appropriations Funding:** City Council provides financial support to various organizations that contribute to the quality of life for all City residents, contribute to the revenue base of the City, or provide a necessary service that the City itself does not provide. In that such organizations operate regular services to achieve these public objectives, growth in Special Appropriations funding is anticipated at 2% annually.
- **Debt Service:** Debt service appropriations account for the payment of principal and interest on proceeds from debt instruments to finance major capital projects and capital purchases. Exclusive of any unanticipated issuance of new debt, this category of expenditure will increase approximately 2% annually over the next five years.
- **Interfund Transfers:** Interfund transfers are transfers between the fund receiving financial resources and the fund through which the financial resources are to be expended. This category of expenditures is projected to grow by 2% annually.
- **Pro-Rata Reimbursements:** This category of expenditure includes the payment from one fund to another fund for services rendered. A good example of this is the Water and Sewer Fund reimbursing the General Fund for the



# Five Year Financial Forecast



cost to bill and collect utility accounts. The actual reimbursement is shown as a credit to the fund providing the service and a debit (cost) to the fund receiving the service. This category of expenditure is projected to increase by the annual Consumer Price Index.

## Water and Sewer Fund Revenue

- **Restricted Governmental Revenue:** These revenues are received from other governmental jurisdictions and are restricted for specific purposes in their use. Among the largest sources of revenue in this category are from the Town of Longview and Burke County related to their past participation in the Henry Fork Wastewater Treatment Plant, the Town of Maiden's purchase of capacity in the City's Water Plant, and the Town of Claremont for operational services provided by the City of Hickory to their utility system. Growth is projected to increase 2% annually.
- **Sales & Services:** This category of revenue comprises the vast majority of revenue received by the Water and Sewer Fund. Revenue generated from water sales and sewer sales make up the majority of the revenue received in this category. Growth in this category of revenue is greatly impacted by the weather, economic activity and growth in the utility system. Growth overall is projected at 2% annually.
- **Investment Earnings:** These revenues are the earnings gained by the investment of the City's cash reserves in the financial markets. A conservative 2% growth is estimated over the next five years.
- **Miscellaneous:** These are revenues that do not qualify for any other category of revenue. Revenue growth in this category is projected to increase 2% annually over the next five years.
- **Other Financing Sources:** This category of revenue reflects the transfer of funds from the Capital Reserve Fund for capital purchases. It is anticipated that this source of revenue will increase 2% annually over the next five years.

## Water and Sewer Fund Expenditures

- **Personnel:** These expenses are incurred as a result of full-time and part-time employees. Increases are generally driven by annual salary adjustments, and the ever-increasing cost of providing full health insurance coverage to employees which is anticipated to grow 5% annually. Longevity pay, part-time salaries, overtime and holiday pay are projected to stay flat. The addition of new employees for new or expanded services will increase this expenditure by more than the projected increases. On average, this category of expenses is projected to increase by 2% annually.
- **Operational:** Operational expenses include such things as maintenance & repair, departmental supplies, fuel, power, natural gas and risk insurance. This category of expenses is projected to increase, on average, by 1% per year.
- **Capital:** Capital is defined as a tangible purchase more than \$5,000 in value with a life expectancy of more than one year. The majority of purchases in this category are replacement equipment and replacement vehicle purchases. Most construction projects are budgeted outside of the Annual Budget.
- **Contingency:** Contingency is budgeted in the Water and Sewer Fund to provide funding for unanticipated, unbudgeted, nonrecurring expenses that may occur during the year. Projected increases in Contingency funding in the Water and Sewer Fund are based on the projected average annual Consumer Price Index.
- **Special Appropriations Funding:** City Council provides financial support to various organizations that contribute to the quality of life for all City residents, contribute to the revenue base of the City, or provide a necessary service that the City itself does not provide. In the Water and Sewer fund, the extent of this type of funding is to Habitat for Humanity for water and sewer taps related to new homes they construct each year, as well as water quality funding to the Western Piedmont Council of Government. 2% growth is projected annually in this category of expenditures.
- **Debt Service:** Debt service appropriations account for the payment of principal and interest on general obligation bonds and notes, and proceeds from debt instruments to finance major capital projects and capital purchases. Exclusive of any unanticipated issuance of new debt, this category of expenditure will generally be expected to increase 1% annually over the next five years.

# Five Year Financial Forecast

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- **Interfund Transfers:** Interfund transfers are transfers between the fund receiving financial resources and the fund through which the financial resources are to be expended. Two Interfund Transfers are made by the Water and Sewer Fund, one to the Capital Reserve Fund and another to the Stormwater Fund. These expenditures are expected to increase by 2% annually over the next five years.
- **Pro-Rata Reimbursements:** This category of expenditure includes the payment from one fund to another fund for services rendered. A good example of this is the Water and Sewer Fund reimbursing the General Fund for the cost to bill and collect utility accounts. The actual reimbursement is shown as a credit to the fund providing the service and a debit (cost) to the fund receiving the service. This category of expenditure is projected to increase by the annual Consumer Price Index.

## Sludge Composting Fund Revenue

- **Restricted Governmental:** As of 2020, Catawba County is no longer part of the regional Sludge Consortium. This leaves only the cities of Conover and Hickory as the participating entities. It is anticipated that this fund will continue to receive funding from the City of Conover and City of Hickory at the agreed upon percentages for the operation of this facility. Revenues are received at a level to support operations and are projected to increase by 2% annually.

## Sludge Composting Fund Expenditures

- **Operational:** Operational expenditures are projected to increase slightly less than the projected annual Consumer Price Index.
- **Capital:** Capital is defined as a tangible purchase more than \$5,000 in value with a life expectancy of more than one year. The majority of purchases in this category are replacement equipment and replacement vehicle purchases. Most construction projects are budgeted outside of the Annual Budget. There are minimal capital purchases anticipated with the Sludge Composting Facility over the next five years.
- **Pro-Rata Reimbursements:** Pro-Rata Reimbursements are projected to increase by the Consumer Price Index, or 2% annually.

## Stormwater Fund Revenue

- **Other Financing Sources:** This category of revenue reflects the transfer of funds from both the General Fund and the Water and Sewer Fund which both support this fund financially.

## Stormwater Fund Expenditures

- **Personnel:** These expenses are incurred as a result of full-time and part-time employees. Increases are generally driven by annual salary adjustments, and the ever-increasing cost of providing health insurance coverage to employees which is anticipated to grow 5% annually. Longevity pay, part-time salaries, overtime and holiday pay are projected to stay flat. The addition of new employees for new or expanded services will increase this expenditure by more than the projected increases. On average, this category of expenses is projected to increase by 2% annually.
- **Operational:** Operational expenses include such things as maintenance & repair, departmental supplies, fuel, power, natural gas and risk insurance. This category of expenses is projected to increase by the annual Consumer Price Index.

## Solid Waste Fund Revenue

- **Other Taxes:** This is the Solid Waste Excise Tax the City receives from the State of North Carolina. It is related to Tipping Fees the City pays and is a partial rebate. Growth in this revenue source is projected at 2% annually.
- **Sales & Services:** This category of revenue comprises the vast majority of revenue received by the Solid Waste Fund. Revenue generated from the Solid Waste Fee, Dumpster Rentals and Tipping Fees make up the majority

# Five Year Financial Forecast

of the revenue received in this category. Growth in this category of revenue is greatly impacted by economic activity and growth of the customer base within the City and is projected at 2% annually.

- **Investment Earnings:** These revenues are the earnings gained by the investment of the City's cash reserves in the financial markets. A conservative 2% growth is estimated over the next five years.
- **Miscellaneous:** These are revenues that do not qualify for any other category of revenue. Revenue growth in this category is projected at 2% annually.
- **Other Financing Sources:** Although the General Fund is no longer subsidizing Solid Waste operations, the Solid Waste Fund does appropriate fund balance each year primarily for capital needs. Also of note, the fund during FY2020-21 began financing the purchase of vehicle and equipment replacements which will result in the receipt of lump-sum loan proceeds during frequent, select years. On the corresponding expenditure side, the Solid Waste Fund will now maintain Debt Service payments on the outstanding loans. Due to these anticipated ongoing needs, we project average annual increases of 2% in this category.

## Solid Waste Fund Expenditures

- **Personnel:** These expenses are incurred as a result of full-time and part-time employees. Increases are generally driven by annual salary adjustments and the ever-increasing cost of providing health insurance coverage to employees. The addition of new employees for new or expanded services will increase this expenditure by more than the projected increases. On average, this category of expenses is projected to increase by 2% annually.
- **Operational:** Operational expenses include such things as maintenance & repair, departmental supplies, fuel, power, natural gas and risk insurance. This category of expenses is projected to increase by the annual Consumer Price Index.
- **Capital:** Capital is defined as a tangible purchase more than \$5,000 in value with a life expectancy of more than one year. The majority of purchases in this category are replacement equipment and replacement vehicle purchases.
- **Pro-Rata Reimbursements:** This category of expenditure includes the payment from one fund to another fund for services rendered. A good example of this is the Solid Waste Fund reimbursing the General Fund for the cost to bill and collect on accounts. The actual reimbursement is shown as a credit to the fund providing the service and a debit (cost) to the fund receiving the service. This category of expenditure is projected to increase by the annual Consumer Price Index.

## Transportation Fund Revenues

- **Sales & Services:** This category of revenue comprises the vast majority of revenue received by the Airport. Growth in this category of revenue is greatly impacted by local economic activity and air travel, and is projected at 2% annually.
- **Investment Earnings:** These revenues are the earnings gained by the investment of the City's cash reserves in the financial markets. A conservative 2% annual growth is estimated over the next five years.
- **Other Financing Sources:** Beginning FY2020-21, the General Fund transferred to the Transportation Fund an amount equal to the property tax revenues received for aircraft stationed within the City's jurisdiction. Growth is projected at 2% per year for the next five (5) years.

## Transportation Fund Expenditures

- **Personnel:** These expenses are incurred as a result of full-time and part-time employees. Increases are generally driven by annual salary adjustments and the ever-increasing cost of providing health insurance coverage to employees. The addition of new employees for new or expanded services will increase this expenditure by more than the projected increases. On average, this category of expenses is projected to increase by 2% annually.
- **Operational:** Operational expenses include such things as maintenance & repair, departmental supplies, fuel, power, natural gas and risk insurance. This category of expenditures is projected to increase by the annual

# Five Year Financial Forecast

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Consumer Price Index.

- **Capital:** Capital is defined as a tangible purchase more than \$5,000 in value with a life expectancy of more than one year. The majority of purchases in this category are replacement equipment and replacement vehicle purchases. Most construction projects are budgeted outside of the Annual Budget.
- **Pro-Rata Reimbursements:** This category of expenditure includes the payment from one fund to another fund for services rendered. A good example of this is the Transportation Fund reimbursing the General Fund for the cost to bill and collect on accounts. The actual reimbursement is shown as a credit to the fund providing the service and a debit (cost) to the fund receiving the service. This category of expenditures is projected to increase by the annual Consumer Price Index.

## Fleet Maintenance Fund Revenue

- **Sales and Services:** Sales and Services are the only source of revenue for this fund. As this fund is classified as an internal service fund, the fee structure for this fund is set to produce sufficient revenue to meet the vital expenditure needs of the service provided. Revenue is expected to increase an average of 2% annually.

## Fleet Maintenance Fund Expenditures

- **Personnel:** Personnel expenditures increase by an annual average of 2%. This increase is driven by annual salary adjustments and the ever-increasing cost of providing health insurance coverage to the employee.
- **Operational:** Operational expenditures are projected to increase generally by the Consumer Price Index, or about 2% annually.
- **Capital:** Capital is defined as a tangible purchase more than \$5,000 in value with a life expectancy of more than one year. The majority of purchases in this category are replacement equipment and replacement vehicle purchases. Most construction projects are budgeted outside of the Annual Budget.
- **Pro-Rata Reimbursements:** This category of expenditure includes the payment from one fund to another fund for services rendered. A good example of this is the Fleet Maintenance Fund reimbursing the General Fund for the cost of billing fleet charges to the various departmental users of Fleet services. The actual reimbursement is shown as a credit to the fund providing the service and a debit (cost) to the fund receiving the service. This category of expenditure is projected to increase by the annual Consumer Price Index.

## Insurance Fund Revenue

- **Sales and Services:** Sales and Services is the major source of revenue for this fund. As this fund is classified as an internal service fund, the fee structure for this fund is set to produce sufficient revenue to meet the vital expenditure needs of the service provided. Revenue is expected to increase an average of 2% annually.
- **Investment Earnings:** A conservative 2% annual growth is estimated over the next five years.

## Insurance Fund Expenditures

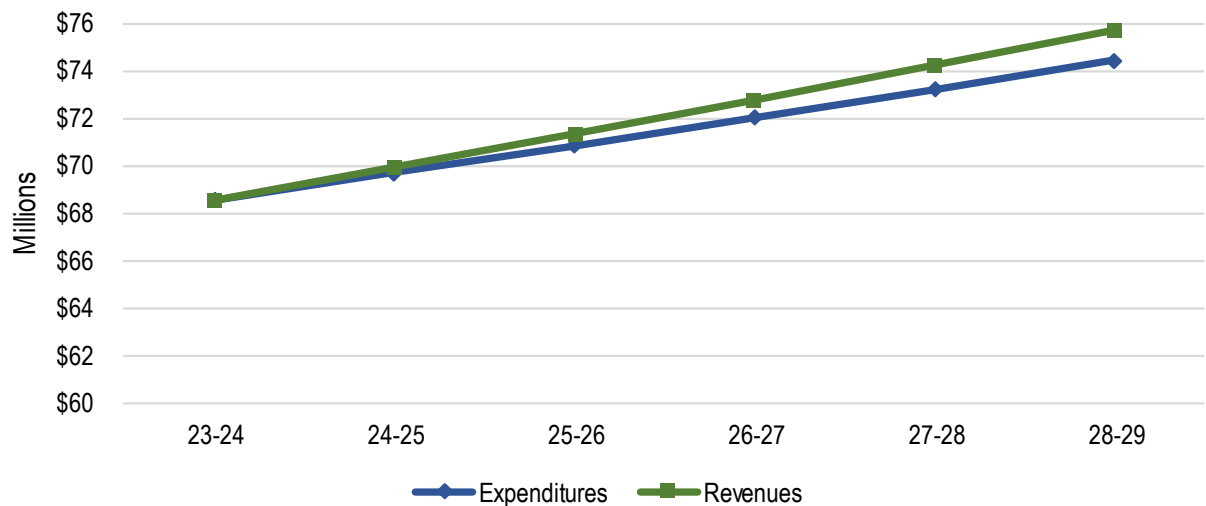
- **Operational:** While the insurance markets are defined by various fluctuations among the health and property/liability sectors, the City projects average annual increases in these expenditures of 1.5% overall.

# Five Year Financial Forecast

## General Fund Forecast

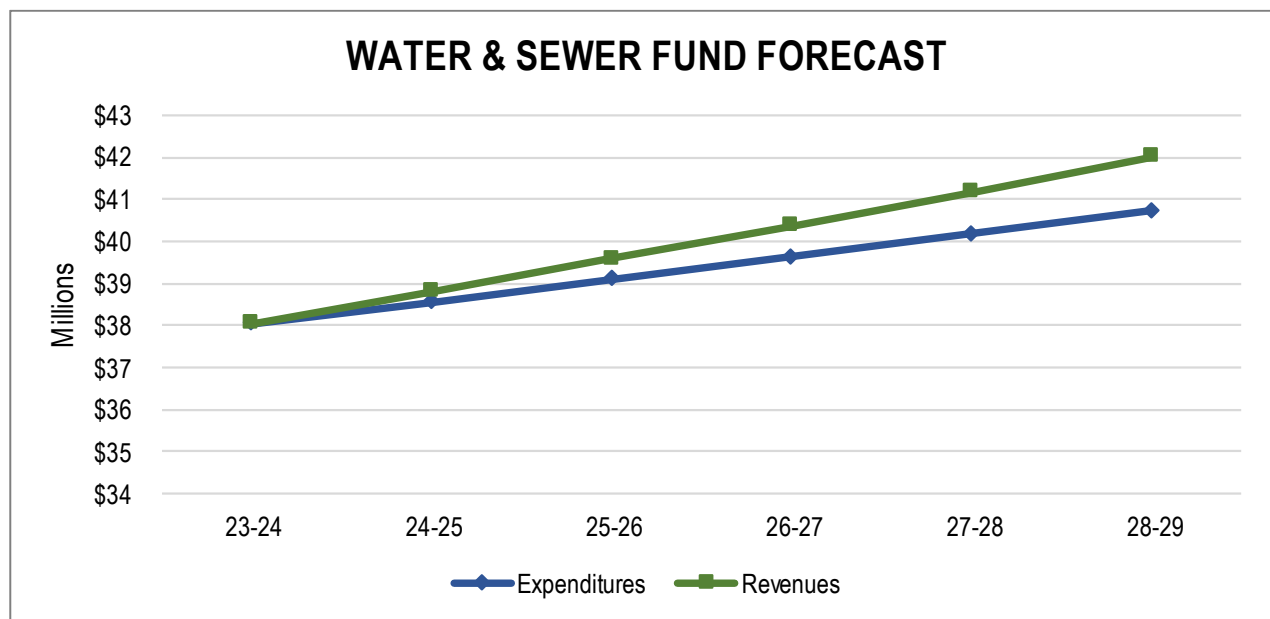
Revenues	23-24	24-25	25-26	26-27	27-28	28-29
Ad Valorem Taxes	\$ 37,100,000	\$ 37,842,000	\$ 38,598,840	\$ 39,370,817	\$ 40,158,233	\$ 40,961,398
Other Taxes	\$ 23,280,000	\$ 23,745,600	\$ 24,220,512	\$ 24,704,922	\$ 25,199,021	\$ 25,703,001
Unrestricted Intergovernmental	\$ 690,000	\$ 703,800	\$ 717,876	\$ 732,234	\$ 746,878	\$ 761,816
Restricted Intergovernmental	\$ 2,752,463	\$ 2,807,512	\$ 2,863,663	\$ 2,920,936	\$ 2,979,354	\$ 3,038,942
Licenses and Permits	\$ 4,500	\$ 4,590	\$ 4,682	\$ 4,775	\$ 4,871	\$ 4,968
Sales and Services	\$ 1,855,080	\$ 1,892,182	\$ 1,930,025	\$ 1,968,626	\$ 2,007,998	\$ 2,048,158
Investment Earnings	\$ 250,000	\$ 262,500	\$ 275,625	\$ 289,406	\$ 303,877	\$ 319,070
Miscellaneous	\$ 381,000	\$ 388,620	\$ 396,392	\$ 404,320	\$ 412,407	\$ 420,655
Other Financing Sources	\$ 2,251,232	\$ 2,296,257	\$ 2,342,182	\$ 2,389,025	\$ 2,436,806	\$ 2,485,542
<b>Total</b>	<b>\$ 68,564,275</b>	<b>\$ 69,943,061</b>	<b>\$ 71,349,797</b>	<b>\$ 72,785,061</b>	<b>\$ 74,249,445</b>	<b>\$ 75,743,550</b>
Expenditures	23-24	24-25	25-26	26-27	27-28	28-29
Personnel	\$ 40,772,507	\$ 41,587,957	\$ 42,419,716	\$ 43,268,111	\$ 44,133,473	\$ 45,016,142
Operational	\$ 15,975,644	\$ 16,135,400	\$ 16,296,754	\$ 16,459,722	\$ 16,624,319	\$ 16,790,562
Capital	\$ 4,850,208	\$ 4,898,710	\$ 4,947,697	\$ 4,997,174	\$ 5,047,146	\$ 5,097,617
Contingency	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000	\$ 1,350,000
Special Appropriations Funding	\$ 1,180,915	\$ 1,204,533	\$ 1,228,624	\$ 1,253,196	\$ 1,278,260	\$ 1,303,826
Debt Service	\$ 4,793,359	\$ 4,889,226	\$ 4,987,011	\$ 5,086,751	\$ 5,188,486	\$ 5,292,256
Interfund Transfers	\$ 3,389,227	\$ 3,457,012	\$ 3,526,152	\$ 3,596,675	\$ 3,668,608	\$ 3,741,980
Pro-Rata Reimbursements	\$ (3,747,585)	\$ (3,822,537)	\$ (3,898,987)	\$ (3,976,967)	\$ (4,056,507)	\$ (4,137,637)
<b>Total</b>	<b>\$ 68,564,275</b>	<b>\$ 69,700,302</b>	<b>\$ 70,856,967</b>	<b>\$ 72,034,662</b>	<b>\$ 73,233,786</b>	<b>\$ 74,454,747</b>

## GENERAL FUND FORECAST



# Five Year Financial Forecast

Water and Sewer Fund Forecast						
Revenues	23-24	24-25	25-26	26-27	27-28	28-29
Restricted Intergovernmental	\$ 1,489,241	\$ 1,519,026	\$ 1,549,406	\$ 1,580,394	\$ 1,612,002	\$ 1,644,242
Sales and Services	\$ 28,246,690	\$ 28,811,624	\$ 29,387,856	\$ 29,975,613	\$ 30,575,126	\$ 31,186,628
Investment Earnings	\$ 60,000	\$ 63,000	\$ 66,150	\$ 69,458	\$ 72,930	\$ 76,577
Miscellaneous	\$ 1,298,526	\$ 1,324,497	\$ 1,350,986	\$ 1,378,006	\$ 1,405,566	\$ 1,433,678
Other Financing Sources	\$ 6,946,825	\$ 7,085,762	\$ 7,227,477	\$ 7,372,026	\$ 7,519,467	\$ 7,669,856
<b>Total</b>	<b>\$ 38,041,282</b>	<b>\$ 38,803,908</b>	<b>\$ 39,581,876</b>	<b>\$ 40,375,498</b>	<b>\$ 41,185,091</b>	<b>\$ 42,010,981</b>
Expenditures	23-24	24-25	25-26	26-27	27-28	28-29
Personnel	\$ 7,667,352	\$ 7,820,699	\$ 7,977,113	\$ 8,136,655	\$ 8,299,388	\$ 8,465,376
Operational	\$ 11,970,435	\$ 12,090,139	\$ 12,211,041	\$ 12,333,151	\$ 12,456,483	\$ 12,581,047
Capital	\$ 7,901,300	\$ 7,980,313	\$ 8,060,116	\$ 8,140,717	\$ 8,222,124	\$ 8,304,346
Contingency	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Special Appropriations Funding	\$ 84,252	\$ 85,937	\$ 87,656	\$ 89,409	\$ 91,197	\$ 93,021
Debt Service	\$ 3,064,657	\$ 3,095,304	\$ 3,126,257	\$ 3,157,519	\$ 3,189,094	\$ 3,220,985
Interfund Transfers	\$ 2,625,044	\$ 2,677,545	\$ 2,731,096	\$ 2,785,718	\$ 2,841,432	\$ 2,898,261
Pro-Rata Reimbursements	\$ 4,328,242	\$ 4,414,807	\$ 4,503,103	\$ 4,593,165	\$ 4,685,028	\$ 4,778,729
<b>Total</b>	<b>\$ 38,041,282</b>	<b>\$ 38,564,744</b>	<b>\$ 39,096,381</b>	<b>\$ 39,636,335</b>	<b>\$ 40,184,747</b>	<b>\$ 40,741,765</b>

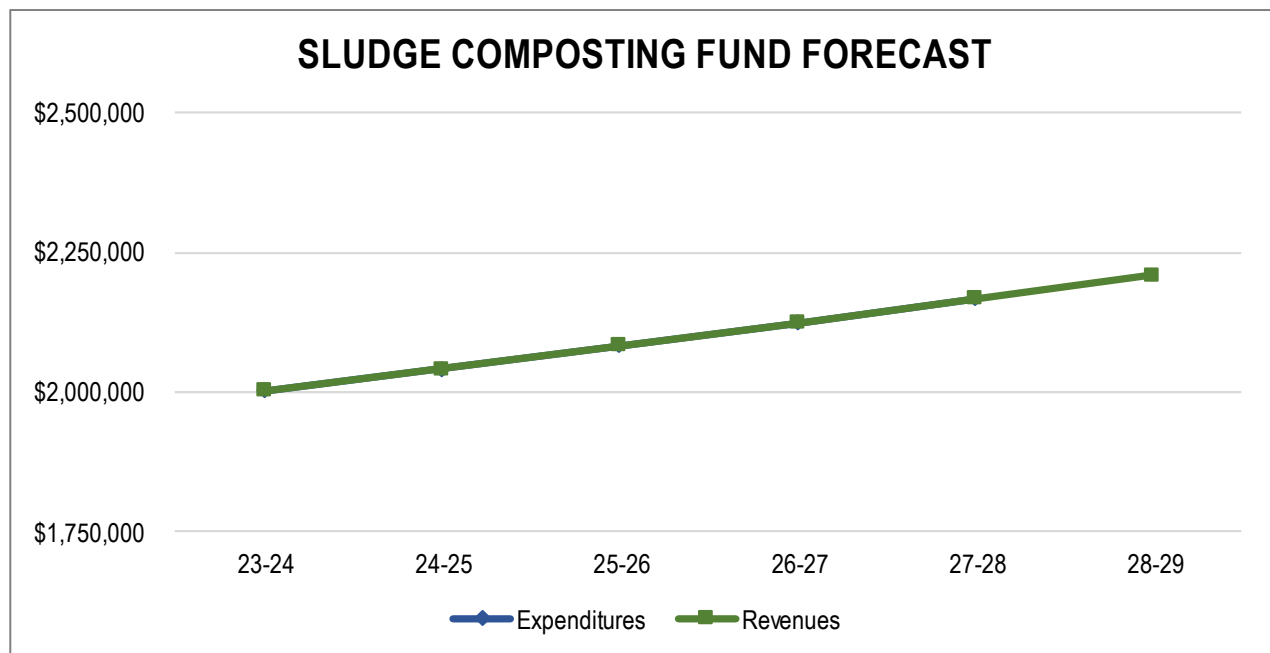




# Five Year Financial Forecast

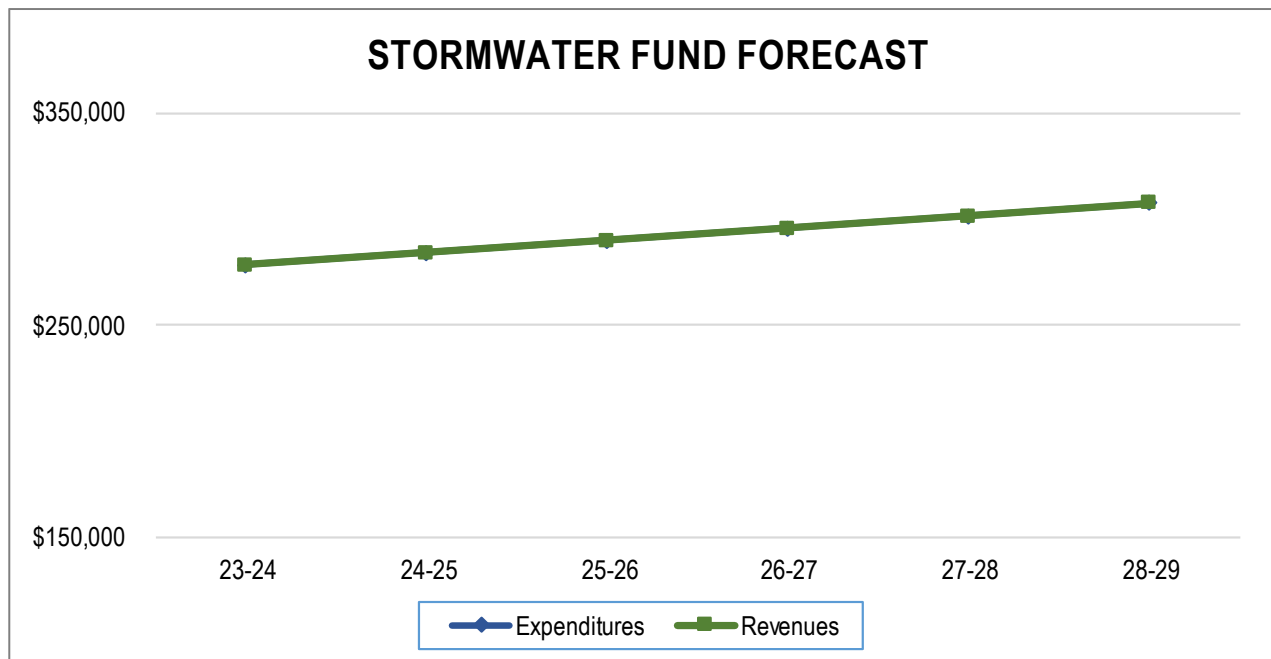
## Sludge Composting Fund Forecast

<b>Revenues</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>	<b>27-28</b>	<b>28-29</b>
Restricted Intergovernmental	\$ 2,001,284	\$ 2,041,310	\$ 2,082,136	\$ 2,123,779	\$ 2,166,254	\$ 2,209,579
<b>Total</b>	<b>\$ 2,001,284</b>	<b>\$ 2,041,310</b>	<b>\$ 2,082,136</b>	<b>\$ 2,123,779</b>	<b>\$ 2,166,254</b>	<b>\$ 2,209,579</b>
<b>Expenditures</b>						
Operational	\$ 1,814,716	\$ 1,851,010	\$ 1,888,031	\$ 1,925,791	\$ 1,964,307	\$ 2,003,593
Capital	\$ 50,000	\$ 51,000	\$ 52,020	\$ 53,060	\$ 54,122	\$ 55,204
Pro-Rata Reimbursements	\$ 136,568	\$ 139,299	\$ 142,085	\$ 144,927	\$ 147,826	\$ 150,782
<b>Total</b>	<b>\$ 2,001,284</b>	<b>\$ 2,041,310</b>	<b>\$ 2,082,136</b>	<b>\$ 2,123,779</b>	<b>\$ 2,166,254</b>	<b>\$ 2,209,579</b>



# Five Year Financial Forecast

Stormwater Fund Forecast												
Revenues	23-24		24-25		25-26		26-27		27-28		28-29	
Other Financing Sources	\$	278,454	\$	284,023	\$	289,704	\$	295,498	\$	301,408	\$	307,436
Total	\$	278,454	\$	284,023	\$	289,704	\$	295,498	\$	301,408	\$	307,436
Expenditures												
Personnel	\$	109,988	\$	112,188	\$	114,432	\$	116,720	\$	119,055	\$	121,436
Operational	\$	168,466	\$	171,835	\$	175,272	\$	178,777	\$	182,353	\$	186,000
Total	\$	278,454	\$	284,023	\$	289,704	\$	295,498	\$	301,408	\$	307,436



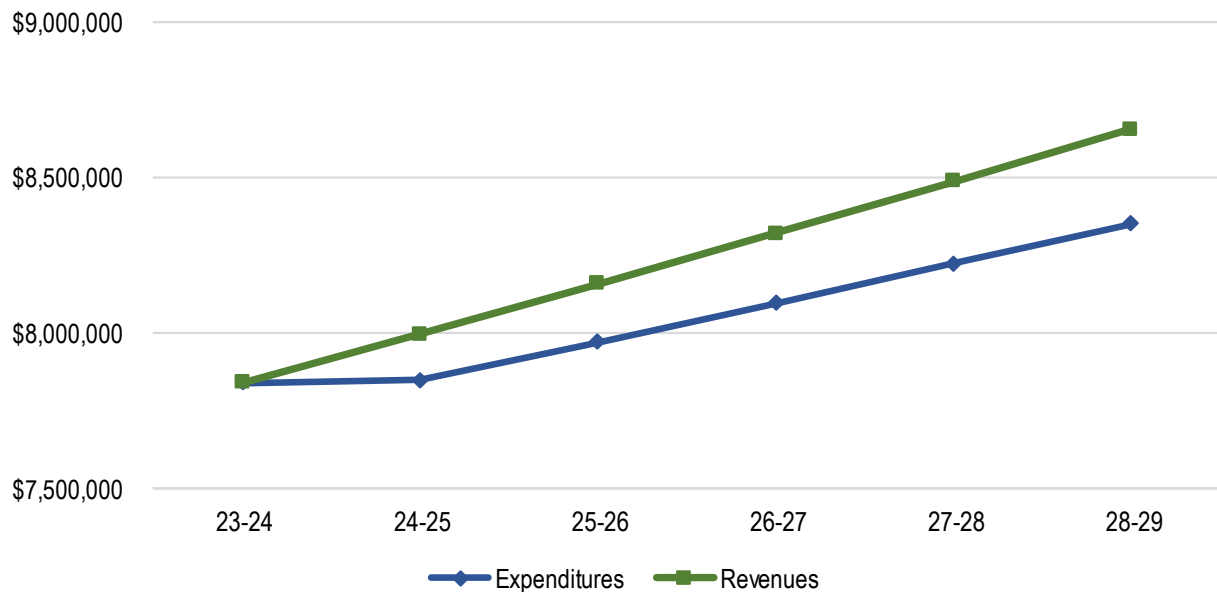


# Five Year Financial Forecast

## Solid Waste Fund Forecast

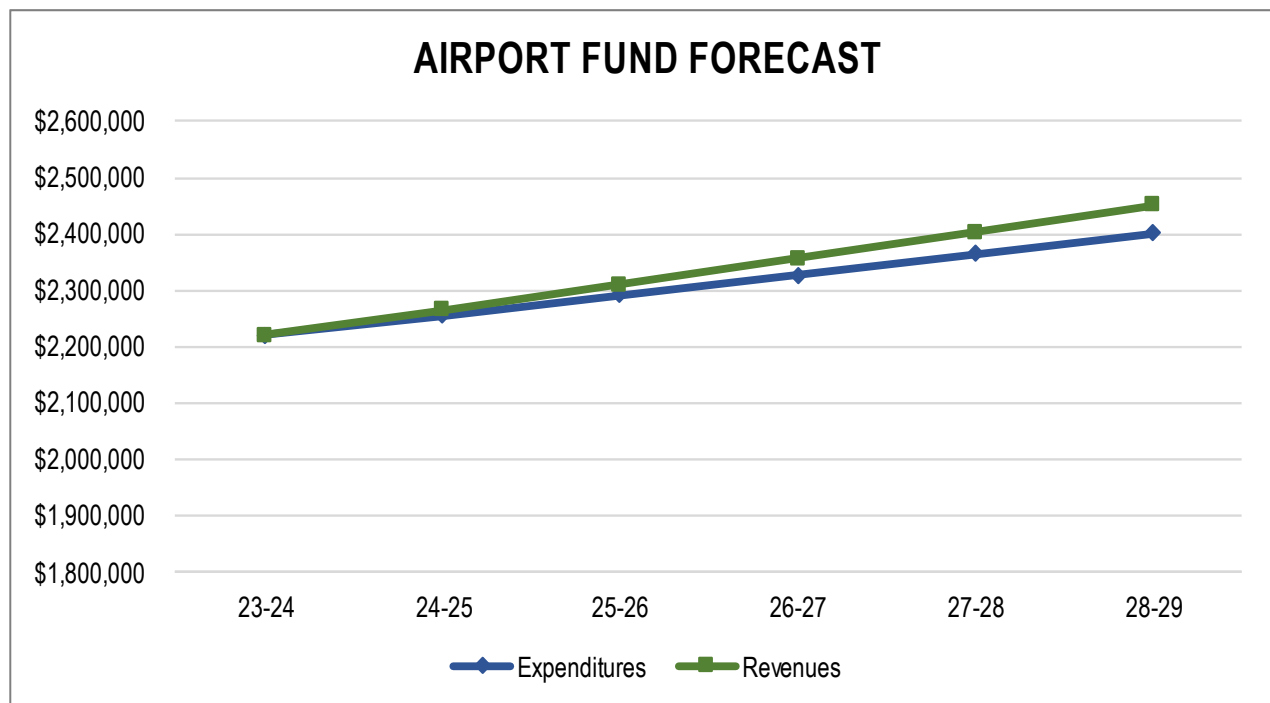
<b>Revenues</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>	<b>27-28</b>	<b>28-29</b>
Other Taxes	\$ 30,000	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122
Sales and Services	\$ 6,833,200	\$ 6,969,864	\$ 7,109,261	\$ 7,251,447	\$ 7,396,475	\$ 7,544,405
Investment Earnings	\$ 20,000	\$ 20,400	\$ 20,808	\$ 21,224	\$ 21,649	\$ 22,082
Miscellaneous	\$ 2,000	\$ 2,040	\$ 2,081	\$ 2,122	\$ 2,165	\$ 2,208
Other Financing Sources	\$ 957,068	\$ 976,209	\$ 995,734	\$ 1,015,648	\$ 1,035,961	\$ 1,056,680
<b>Total</b>	<b>\$ 7,842,268</b>	<b>\$ 7,999,113</b>	<b>\$ 8,159,096</b>	<b>\$ 8,322,278</b>	<b>\$ 8,488,723</b>	<b>\$ 8,658,498</b>
<b>Expenditures</b>	<b>23-24</b>	<b>24-25</b>	<b>25-26</b>	<b>26-27</b>	<b>27-28</b>	<b>28-29</b>
Personnel	\$ 2,353,666	\$ 2,400,739	\$ 2,448,754	\$ 2,497,729	\$ 2,547,684	\$ 2,598,637
Operational	\$ 3,286,405	\$ 3,319,269	\$ 3,352,462	\$ 3,385,986	\$ 3,419,846	\$ 3,454,045
Capital	\$ 1,586,500	\$ 1,618,230	\$ 1,650,595	\$ 1,683,606	\$ 1,717,279	\$ 1,751,624
Contingency	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Debt Service	\$ 113,170	\$ -	\$ -	\$ -	\$ -	\$ -
Pro-Rata Reimbursements	\$ 452,527	\$ 461,578	\$ 470,809	\$ 480,225	\$ 489,830	\$ 499,626
<b>Total</b>	<b>\$ 7,842,268</b>	<b>\$ 7,849,816</b>	<b>\$ 7,972,620</b>	<b>\$ 8,097,547</b>	<b>\$ 8,224,638</b>	<b>\$ 8,353,933</b>

## SOLID WASTE FUND FORECAST



# Five Year Financial Forecast

Airport Fund Forecast						
Revenues	23-24	24-25	25-26	26-27	27-28	28-29
Sales and Services	\$ 1,857,352	\$ 1,894,499	\$ 1,932,389	\$ 1,971,037	\$ 2,010,458	\$ 2,050,667
Restricted Governmental	\$ 108,000	\$ 110,160	\$ 112,363	\$ 114,610	\$ 116,903	\$ 119,241
Investment Earnings	\$ 5,000	\$ 5,100	\$ 5,202	\$ 5,306	\$ 5,412	\$ 5,520
Other Financing Sources	\$ 250,000	\$ 255,000	\$ 260,100	\$ 265,302	\$ 270,608	\$ 276,020
<b>Total</b>	<b>\$ 2,220,352</b>	<b>\$ 2,264,759</b>	<b>\$ 2,310,054</b>	<b>\$ 2,356,255</b>	<b>\$ 2,403,380</b>	<b>\$ 2,451,448</b>
Expenditures	23-24	24-25	25-26	26-27	27-28	28-29
Personnel	\$ 899,696	\$ 917,690	\$ 936,044	\$ 954,765	\$ 973,860	\$ 993,337
Operational	\$ 553,427	\$ 558,961	\$ 564,551	\$ 570,196	\$ 575,898	\$ 581,657
Capital	\$ 430,000	\$ 438,600	\$ 447,372	\$ 456,319	\$ 465,446	\$ 474,755
Contingency	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Pro-Rata Reimbursements	\$ 137,229	\$ 139,974	\$ 142,773	\$ 145,629	\$ 148,541	\$ 151,512
<b>Total</b>	<b>\$ 2,220,352</b>	<b>\$ 2,255,225</b>	<b>\$ 2,290,740</b>	<b>\$ 2,326,909</b>	<b>\$ 2,363,745</b>	<b>\$ 2,401,261</b>

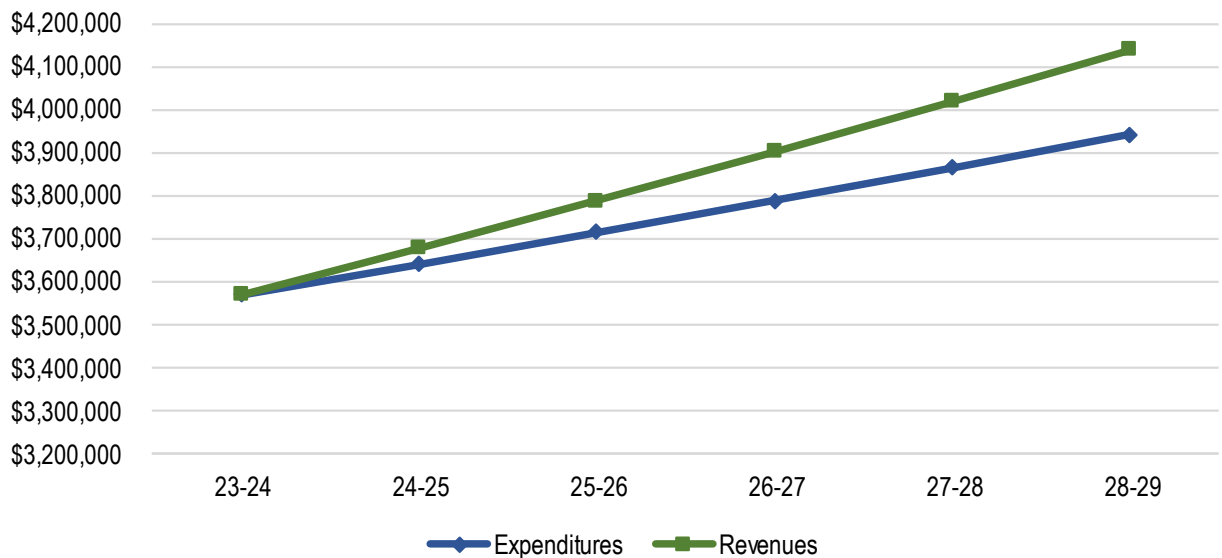


# Five Year Financial Forecast

## Fleet Maintenance Fund Forecast

Revenues	23-24	24-25	25-26	26-27	27-28	28-29
Sales and Services	\$ 3,569,998	\$ 3,677,098	\$ 3,787,411	\$ 3,901,033	\$ 4,018,064	\$ 4,138,606
<b>Total</b>	<b>\$ 3,569,998</b>	<b>\$ 3,677,098</b>	<b>\$ 3,787,411</b>	<b>\$ 3,901,033</b>	<b>\$ 4,018,064</b>	<b>\$ 4,138,606</b>
Expenditures	23-24	24-25	25-26	26-27	27-28	28-29
Personnel	\$ 841,123	\$ 857,945	\$ 875,104	\$ 892,606	\$ 910,459	\$ 928,668
Operational	\$ 2,340,785	\$ 2,387,601	\$ 2,435,353	\$ 2,484,060	\$ 2,533,741	\$ 2,584,416
Capital	\$ 90,500	\$ 92,310	\$ 94,156	\$ 96,039	\$ 97,960	\$ 99,919
Pro-Rata Reimbursements	\$ 297,590	\$ 303,542	\$ 309,613	\$ 315,805	\$ 322,121	\$ 328,563
<b>Total</b>	<b>\$ 3,569,998</b>	<b>\$ 3,641,398</b>	<b>\$ 3,714,226</b>	<b>\$ 3,788,510</b>	<b>\$ 3,864,281</b>	<b>\$ 3,941,566</b>

## FLEET MAINTENANCE FUND FORECAST



# Five Year Financial Forecast

Insurance Fund Forecast						
Revenues	23-24	24-25	25-26	26-27	27-28	28-29
Sales and Services	\$ 7,455,180	\$ 7,604,284	\$ 7,756,369	\$ 7,911,497	\$ 8,069,727	\$ 8,231,121
Investment Earnings	\$ 60,000	\$ 61,200	\$ 62,424	\$ 63,672	\$ 64,946	\$ 66,245
Other Financing Sources	\$ 50,000	\$ 51,000	\$ 52,020	\$ 53,060	\$ 54,122	\$ 55,204
<b>Total</b>	<b>\$ 7,565,180</b>	<b>\$ 7,716,484</b>	<b>\$ 7,870,813</b>	<b>\$ 8,028,230</b>	<b>\$ 8,188,794</b>	<b>\$ 8,352,570</b>
Expenditures						
Operational	\$ 7,565,180	\$ 7,678,658	\$ 7,793,838	\$ 7,910,745	\$ 8,029,406	\$ 8,149,847
<b>Total</b>	<b>\$ 7,565,180</b>	<b>\$ 7,678,658</b>	<b>\$ 7,793,838</b>	<b>\$ 7,910,745</b>	<b>\$ 8,029,406</b>	<b>\$ 8,149,847</b>

